CONTENT

1. INTRODUCTION 4
2. VISION 5
3. OBJECTIVES AND GOALS 5
4. APPROACH TO STRATEGY FORMULATION 6
5. STRENGTHENING REVENUE ADMINISTRATION 8
5.1 STRENGTHENING OF THE ADMINISTRATION OF THE GENERAL DEPARTMENT OF TAXATION 8
5.1.1 Strengthening Core Business Functions 10
5.1.1.1 Taxpayer Registration 10
5.1.1.2 Taxpayer Service 11
5.1.1.3 Return Filing 12
5.1.1.4 Auditing 12
5.1.1.5 Debt Collection and Appeals 14
5.1.2 Strengthening Support Functions 14
5.1.2.1 Strengthening of Management and Organizational Structure 15
5.1.2.2 Human Resource Management 16
5.1.2.3 Information Technology 17
5.2 STRENGTHENING OF REVENUE ADMINISTRATION OF GENERAL DEPARTMENT OF CUSTOMS AND EXCISE OF CAMBODIA 17
5.2.1 Strengthening Clearance Processes 19
5.2.1.1 Customs Declaration 19
a. Manifest Control 19
b. Verification of Custom Valuation 20
5.2.1.2 Identification and Classification of Risks 21
a. Risk Management 21
b. Intelligence 22
5.2.1.3 Post Clearance Audit 22
5.2.2 Strengthening Cross-border Mechanism 23
5.2.2.1 Smuggling 23
5.2.2.2 Customs Valuation 24
5.2.3 Strengthening Supporting Mechanism 24
5.2.3.1 ASYCUDA 24
5.2.3.2 National Single Window (NSW) 25
5.2.3.3 Customs-Private Sector Partnership Mechanism (CPPM) 26
5.2.3.4 Institutional Development Plan (IDP) 26
5.2.3.5 Monitoring and Evaluation of Customs Reform Program 26
5.2.3.6 Human Resource Management 27
5.2.3.7 Internal Audit 28
5.3 STRENGTHENING OF NON-TAX REVENUE ADMINISTRATION 28
5.3.1 Context and Common Challenges of Non-Tax Revenue Collection 28
5.3.2 Civil Aviation Sector 31
5.3.3 Tourism Sector 31
5.3.4 Revenue from Visa and Related Fees 32
5.3.5 Post and Telecommunication Sector 33
5.3.6 Revenue from Economic Land Concession and Forestry 34
5.3.7 Lease of Islands and Beaches for Tourism Development 35
5.3.8 Revenue from Public Enterprises 36

5.3.9 Public Administration Institutions 37
5.3.10 Natural Resources 38
5.3.11 Revenue from Privatization (Sale-Transfer) and Lease of State Properties 39
5.3.12 Revenue from Casinos 40
5.3.13 Revenue from the Issuance of Certificates of Origin of Goods (C/O) 41
5.3.14 Revenue from the Concessions of State Public Properties 41
6. IMPROVING REVENUE POLICY AND INSTITUTIONAL FRAMEWORK 42
6.1 IMPROVING NON-TAX REVENUE AND TAX SYSTEM 42
6.2 STRENGTHENING INSTITUTIONAL MECHANISM 42
6.3 IMPROVING TAX AND NON-TAX REVENUE IMPLEMENTATION FRAMEWORKS AND POLICIES 44
6.3.1 Excise Tax on Some Type of Goods and Services 44
6.3.2 Value Added Tax (VAT) 45
6.3.3 Estimated Tax Regime 45
6.3.4 Review on Tax Incentive Scheme for Investment Project 46
6.3.5 International Tax Agreement 47
6.3.6 Property Tax 47
6.3.7 Personal Income Tax 48
6.3.8 Tax on the Operations of Petroleum and Mineral Resources 49
6.3.9 Amendment of Taxation Law and Regulations 49
6.3.10 Customs Tax Losses from the Implementation of ASEAN Free Trade Agreement 49
6.3.11 Preparation and Introduction of the Law on the Management of State Property and Law on the Management of Non-Tax Revenue 50
7. STRENGTHENING MONITORING AND EVALUATION 50
8. CONCLUSION 54

APPENDIX 56
APPENDIX 1: IMPORTANT MEASURES FOR THE ADMINISTRATIVE REFORM OF GENERAL DEPARTMENT OF TAXATION 55
APPENDIX 2: IMPORTANT MEASURES FOR THE ADMINISTRATIVE REFORM OF GENERAL DEPARTMENT OF CUSTOMS AND EXCISE 64
APPENDIX 3: KEY MEASURES TO STRENGTHENING NON-TAX REVENUE ADMINISTRATION 72
APPENDIX 4: IMPORTANT MEASURES TO IMPROVE THE REVENUE POLICY AND INSTITUTIONAL FRAMEWORK 89

Figure 1: Strategic Approach of the Medium-Term Revenue Mobilization 2014-2018 7
Figure 2: GDT Revenue Performance (2002-2013) 8
Figure 3: Model of Strengthening Tax Administration of GDT 9
Figure 4: Custom Revenue (%GDP) 17
Figure 5: Structure of Commission on Monitoring and Evaluation of Revenue Mobilization Strategy 53

1. INTRODUCTION

1. In the last decade, Cambodia has enjoyed peace, national unity and political stability, achieved through the "Win-Win" policy instilled by the Prime Minister, **Samdech Akka Moha Sena Padei Techo HUN SEN**. Based on this foundation, Cambodia has achieved high economic growth of approximately 8% per year and poverty reduction at around 2% annually, which is a remarkable achievement among the least-developed countries in the world. In order to ensure sustainability and progress of the above achievements to transform Cambodia into a high middle-income country by 2030 and to ensure stability and sustainability of the national budget, strengthening domestic revenue collection will play a key role. At present, among developing nations, it is recognized that domestic revenue is an important resource to ensure sustainability and development. This is particularly important as foreign financing is expected to be insufficient with uncertainties, which may affect Cambodia's full ownership in the management of its resource to meet the need for further development.

2. As clearly outlined in the **Rectangular Strategy-Phase III (RS – III)** of **Samdech Akka Moha Sena Padei Techo HUN SEN**, Prime Minister of Kingdom of Cambodia, and in the **National Strategic Development Plan (NSDP) 2014-2018**, in the context of current changes in the region and the world, especially in terms of domestic economic, social and demographic changes, it is essential for Cambodia to build a strong national budget revenue system that is efficient and transparent. Doing so will ensure favorable climate for business and investment as well as create certainty and stability in revenue source so as to respond to growth in expenditure to ensure sustainability of government operations and for country development. Such development includes the construction and rehabilitation of physical infrastructures, strengthening of the education sector, skill training for youth, improvement of health service provision, preparation and implementation of social safety nets and improvement of public service quality. These are highly significant in ensuring inclusive and sustainable economic growth along with poverty reduction and improvement of living standards. Meanwhile, as Cambodia transitions from a low-income country to a lower middle-income country, it will face a gradual loss of grants and concessional financing. Moreover, regional and global economic situation, especially the implementation of Free Trade Agreements (FTAs) along with the establishment of regional economic communities like ASEAN Economic Community (AEC) 2015, will reduce Cambodia's international trade tax. Therefore, Cambodia must mobilize its revenue to its full potential in the short term and the medium term in order to keep up with the aforementioned needs.

3. Through the implementation of Public Financial Management Reform Program (PFMRP), the Royal Government of Cambodia (RGC) has achieved significant progress in mobilizing additional revenue, resulting in a steady growth of domestic revenue. In fact, the efforts in expanding the tax base and revising the tax rate has contributed to the growth of current revenue, from 10.27% of GDP in 2004 to 15.04% in 2013, with an average annual growth of 17%. Fiscal

revenue has also gradually increased from 8.46% of GDP to 12.69% between 2004 and 2013. However, the level of revenue collection remains low compared to other nations within the ASEAN region and other developing countries. This low level of revenue collection is due to a number of reasons, including: (1) small tax base due to narrow economic structure and undiversified industries, (2) low tax culture and compliance, (3) weak tax and non-tax administration and (4) growth of tax incentives to Qualified Investment Projects (QIPs).

4. In this context, the Medium-Term Revenue Mobilization Strategy 2014-2018 (RMS 2014-2018) is prepared for defining the vision, goals and objectives, approaches, administrative reform measures, improvement in tax and non-tax policies, for strengthening the monitoring and evaluation system, and for responding to Cambodia's economic situation at present and in the coming medium term.

2. VISION

5. The vision of RMS 2014-2018 is firmly connected with the vision of Cambodia's development, which focuses on efficient and effective domestic revenue collection in order to meet the demand for sustainable socio-economic development. Cambodia has a vision of becoming a higher-middle income country with per capita income of between USD4,000 to USD5,000 by 2030. This vision is to be achieved by ensuring robust and resilient economic growth with equity, strengthening of national institutions and administrative system to ensure efficiency, accountability and transparency and ensuring an equitable and inclusive society which provides equal opportunity with justice. In this regard, the country's domestic revenue will be an important driver in supporting economic growth, providing jobs to the people through redistribution of national revenue outlined in an appropriate budget framework. On the other hand, mobilizing revenue to its full potential is indispensable for strengthening ownership of the country's development and for the necessary public expenditure that contributes to achieving the above vision.

3. OBJECTIVES AND GOALS

6. The RMS 2014-2018 aims at strengthening tax and non-tax administration and promoting the culture of tax compliance to strengthen effective revenue collection, to respond to the need of an expanding market economy, the increasing number of taxpayers and sophistication of business as well as to facilitate the effective management in providing tax paying services. All these will contribute to improvement in the country's investment climate and private sector development and ensuring equity and justice for all citizens.

7. To achieve the above objectives, the RMS 2014-2018 has set the following goals: (1) increase the total current revenue by at least 0.5 percentage point in addition to the ratio of current revenue to GDP annually, from 15.18% in 2014 to 17.35% in 2018, (2) respond to development needs to maintain high economic growth and achieve national development goals in line with the **RS – III** and to prepare to be a high middle-income country in the near future, (3) expand fiscal

space to strengthen macroeconomic and financial stability, manage debt sustainably and alleviate reliance on external financing and (4) increase budget for urgent cases, force majeure and other crises or immediate expenditure of the RGC in the future.

4. APPROACH TO STRATEGY FORMULATION

8. The RMS 2014-2018 has four main principles: (1) collection of existing revenue to its full potential, (2) no creation of new tax, (3) no increase in tax rate and VAT, except to offset any revenue loss and for health protection and/or environmental protection and (4) ensuring of simplicity, equity and justice through efficient, transparent and accountable revenue management and collection.

9. Based on the principles above, the RMS 2014-2018 will focus on four reforms: (1) promotion of tax culture, (2) improvement of tax paying services, (3) improvement of tax and non-tax administration and (4) improvement of tax and non-tax governance.

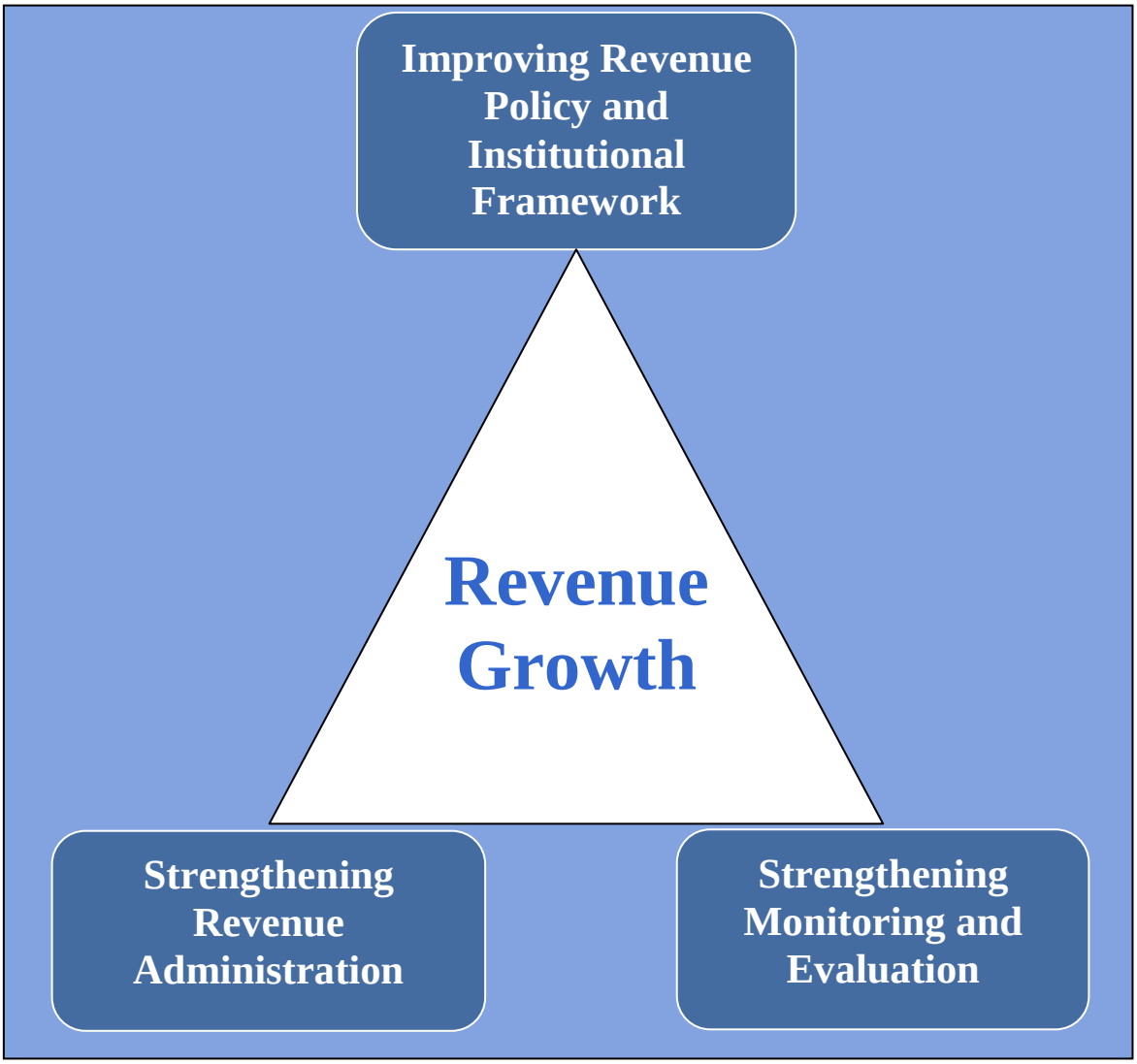
10. In order to achieve the above vision, objectives, goals and principles, the RMS 2014-2018 is formulated based on three pillars:

- ***First pillar—Strengthening Revenue Administration***: With the principle of collecting potential revenue to its fullest, there is a need to strengthen and reform the administration in order to strengthen and reduce gaps in revenue collection management. This is an essential aspect of the strategy in response to the growing economy, the growing number of taxpayers, the increasing sophistication of business and progress of regional and international cooperation. Strengthening the administration will tackle the major challenges in tax and non-tax revenue collection and imposing practical measures with specified timeframe for the successful implementation will help to effectively and efficiently address each challenge.

- ***Second pillar—Improving Revenue Policy and Institutional Framework***: Along with strengthening administration, policy improvement is also a key factor in enhancing the efficiency of revenue mobilization. While there is no new tax and an increase in tax rate, there needs to improve the effectiveness in revenue collection through policy improvement of excise tax, Value Added Tax (VAT), estimated regime, international tax obligations, property tax, tax incentives for investment projects, etc.

- ***Third pillar—Strengthening Monitoring and Evaluation***: Implementation of this strategy requires clear monitoring and evaluation structure. In this sense, the structure is established by creating two committees, Committee for Monitoring and Evaluation of Tax Revenue and Committee for Monitoring and Evaluation of Non-Tax Revenue, with clearly defined roles and responsibilities. At the same time, in order to evaluate the results of implementation, the RMS 2014-2018 will introduce indicators for each measure and outcome of actual revenue collection for each category of tax and non-tax revenue with a specified implementation timeframe.

Figure 1: Strategic Approach of the Medium-term Revenue Mobilization 2014-2018



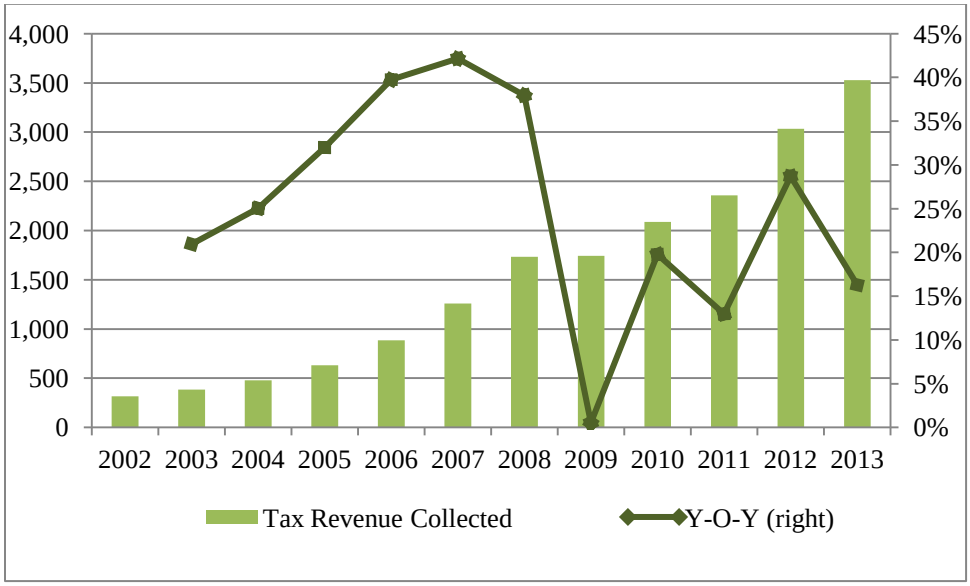
5. STRENGTHENING REVENUE ADMINISTRATION

11. It is crucial to strengthen revenue administration in each country. Also, improving revenue policy has potential to raise revenue, but in practice most revenue collection depends on the effectiveness and the efficiency of the revenue administration. Therefore, enhancing revenue administration will cover the strengthening of the administration of the General Department of Taxation (GDT) and the General Department of Customs and Excise (GDCE), and the administration of non-tax revenue.

5.1 STRENGTHENING OF THE ADMINISTRATION OF THE GENERAL DEPARTMENT OF TAXATION

12. The GDT is established to collect domestic taxes and to involve in developing tax policies as well as drafting laws and regulations on taxation. Thus far, the GDT had two comprehensive reforms in1994 and in 1997 as well as other subsequent minor reforms in tax policy and tax administration. With these reforms, the revenue collection by the GDT had remarkably grown at an annual average of over 20% for the last 12 years (Figure 2). The total revenue of the GDT as percent of GDP tripled from 1.9 percent in 2002 to 5.8 percent in 2013. From 2002 to 2013, the total revenue as a proportion of total tax revenues expanded from 27 percent to 46 percent.

Figure 2: GDT's Revenue Collection Performance (2002-2013)



Source: Ministry of Economy Finance.

13. These achievements have been mainly contributed by high growth in major tax types including Domestic VAT, Profit Tax, Domestic Excise, Payroll Tax and Sub-national Taxes. Amongst all taxes collected by the GDT, Domestic VAT and the Profit Tax accounted for about 62% of GDT's total revenue in 2013. These types of tax are expected to maintain their growth

momentum in the medium term due to high economic growth, RGC's deepening reform, PFMRP and other additional GDT reform programs in the future.

14. The management of GDT's tax collection is structured by functions and by taxpayer segmentation. The functioning structure is categorized into core business functions and support functions. The core business functions include: (1) taxpayer registration, (2) taxpayer services, (3) return filing, (4) auditing and (5) debt collection and appeals while the support functions cover: (1) strengthening of management and organizational structure, (2) human resource management and (3) information technology (IT).

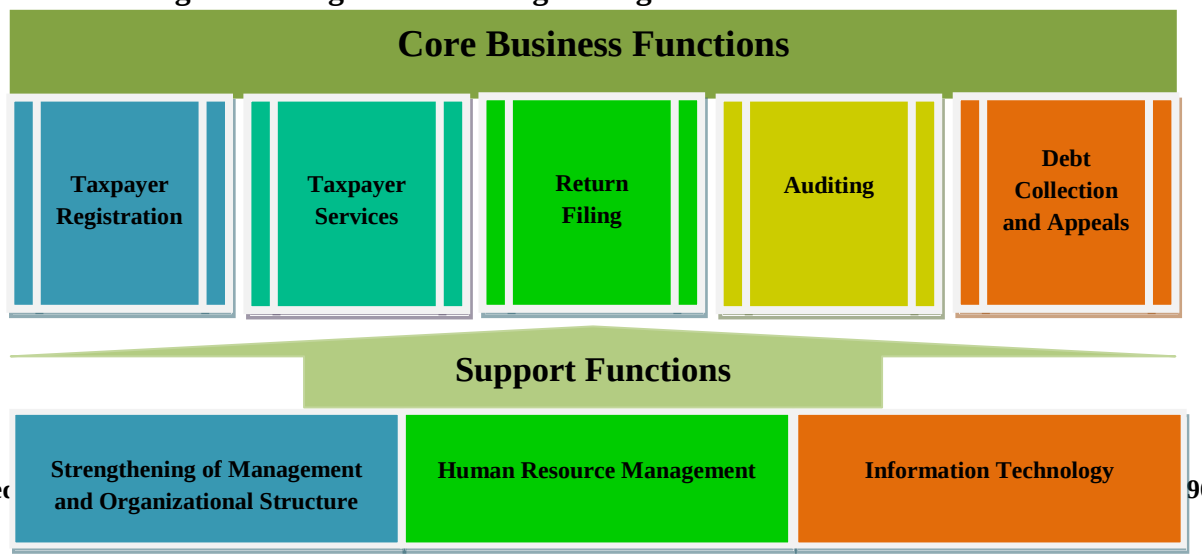
15. Taxpayers are divided into three types—large taxpayer, medium taxpayer and small taxpayer. Large taxpayers are classified as enterprises under QIPs, branches of foreign companies and other enterprises with annual business turnover equal to or more than KHR1,000 million. In 2013, the collection from large taxpayers accounted for about 80% of the GDT's total tax revenue. The top largest 100 companies accounted for over 60% of GDT's total tax revenue.

16. Medium taxpayers refer to taxpayers with annual turnover exceeding KHR500 million for the supply of goods, KHR250 million for the supply of services or KHR125 million for the supply of goods and services to the state. The collection from medium taxpayers accounted for about 19.3% of the GDT's total tax revenue in 2013. Small taxpayers refer to estimated taxpayers, who are not medium or large taxpayers, and accounted for 0.7% of the GDT's total tax revenue.

17. Despite high growth rate of domestic tax revenue, total tax revenue as percent of GDP remains low compared to other countries with comparable level of development, mainly due to narrow tax base and low tax culture. Moreover, unlike many tax administrations in the region, the Cambodian tax administration is still facing a number of challenges in terms of limited capacity and number of staff, and inadequate equipment and IT resources to support its overall operation.

18. In order to address the above challenges, strengthening tax administration of the GDT will focus on improvement of core business functions and support functions. The improvement of each of the following functions will have positive effect on other functions.

Figure 3: Diagram for Strengthening GDT's Tax Administration



5.1.1 Strengthening Core Business Functions

19. Core business process consists of functions related to the management and the operation of tax collection on natural persons and legal entities that are obligated to pay tax under the Law on Taxation. Smooth performance of core business functions will effectively and efficiently facilitate the GDT's management. The core business functions include: (1) taxpayer registration, (2) taxpayer services, (3) return filing, (4) auditing and (5) debt collection and appeals.

5.1.1.1 Taxpayer Registration

20. A fully functioning registration system with accurate data control and identification capability is critical for a robust tax administration and can provide the foundation for effective management of return filing, auditing, debt collection and other taxpayer control functions. Currently, there are about 90,550 enterprises registered at the GDT. To strengthen the taxpayer registration system, the GDT has installed the Wide Area Network (WAN) in order to transfer taxpayers' information and data from the Phnom Penh's seven district branches (phase 1) and 16 provincial tax branches (phase 2) to the GDT's central database.

21. The effectiveness of taxpayer registration and management remains limited due to a number of challenges:(1) transfer of taxpayers' registration data to the headquarter has not been automated and made timely as phase 2 has not been finalized, (2) taxpayers' information is inaccurate (such as incorrect address) due to unclear information from Ministry of Commerce (MOC) and relevant ministries-institutions and (3) taxpayer deregistration has been delayed after the deregistration of companies that disappeared or failed to file tax returns in 2002 and 2005.

22. In order to address those challenges, the GDT of the Ministry of Economy and Finance (MEF) shall implement a number of short-term measures as follow:

- Establish an enterprise registration management system through a centralized database system,
- Regularly and timely update taxpayers' profiles, particularly continue with the deregistration of companies that disappeared or failed to file tax returns after auditing,
- Inspect the location of the companies requesting registration and conduct national campaign to gather registration information through street survey, third parties and media to register the taxpayers or to review business turnover that meet the requirement for transferring to the self-assessment regime,
- Update the issued VAT certificates and prepare to issue new and safer VAT certificates,
- Participate in the implementation of "Single Roof" mechanism in collaboration with the Ministry of Industry and Handicraft, Ministry of Commerce and relevant ministries/institutions for the registration of Small and Medium Enterprises (SMEs).

5.1.1.2 Taxpayer Service

23. Taxpayer service is one of the key functions that helps reinforce tax compliance and tax culture as well as strengthen the effectiveness of tax collection and management. Currently, substantial progress has been made through various service initiatives including organizing workshops, answering questions (oral and writing), training tax agents and the public at the National Tax School, disseminating different kinds of tax announcements, tax regulations and tax guidebooks and disseminating them on the GDT's website. At the same time, to strengthen the governance, the GDT has publicly disseminated, particularly the tax rates, fees and timeframe of service provision as well as establish a place or a post box for collecting taxpayers' complaints, especially in the case of malfeasance, collecting fees or taxes more than the requirement or late service responses.

24. Despite the above progresses, the GDT still faces some challenges in providing taxpayer services, including (1) lack of an overarching strategic plan that indicates specific direction and service programs on promoting universal awareness of tax culture, (2) insufficient resource allocation for taxpayer service activities, (3) absence of a call center that reduces taxpayers' access to detailed information related to taxation and (4) limited number and capacity of officials ineffectively responding to the size of service demands.

25. In order to address those challenges, the GDT of the MEF shall implement the following measures:

Short-term Measures

- Design and implement taxpayer service provision plan for the top 150 largest taxpayers,
- Design Frequently Asked Questions (FAQs) list into a guidebook and upload it on to the GDT's website,
- Establish a call center and a public relation office at the Department of Taxpayer Services and Tax Arrears (DTSTA) and a tax consultation office at each department and district/provincial branch,
- Increase the number of officials in charge of taxpayer service provision and provide additional resources and means for taxpayer service delivery at each department and district/provincial branch to meet actual demand of service and to ensure effective delivery of taxpayer services,
- Continue to implement and strengthen information dissemination, including price list and timeframe of the service delivery to the public,
- Continue to establish a place for the collection of complaints through postbox, telephone or email,
- Develop and publish a guidebook on taxpayer services and a guidebook on all tax types,
- Disseminate information to the public through workshop, news, radio, television, website, posters and brochures in order to promote tax culture,

- Strengthen capacity and cooperation with private sector, accountants, auditors, legal experts and tax agents in order to promote compliance and understand taxpayers' needs.

Medium-term Measure

- Design and implement Comprehensive Strategy for Taxpayer Service Enhancement, including a coordinating mechanism between central and local offices, taxpayer service programs, trainings of focal officials who have the expertise in taxpayer services and dissemination, etc.

5.1.1.3 Return Filing

26. The registered taxpayers are obliged to file their tax returns monthly and annually. The GDT has put efforts into improving the return filing function by merging monthly and annual filing forms, uploading tax return forms on its website, making them available for downloading and expanding tax payment service via banking system, etc.

27. A number of large and medium taxpayers administered by the Large Taxpayer Department (LTD) and by district/provincial branches have not filed their tax returns or have declared "no activity". Furthermore, the return filing process has remained complicated and slow, reducing the ability to timely manage the risks due to: (1) paper-based filings, (2) absence of IT system for assessing risk at the early stage in order to timely audit the identified high-risk taxpayers and (3) limited number and capacity of officials in the return processing office.

28. In order to address those challenges, the GDT of the MEF shall implement a number of short-term measures below:

- Develop a standard report of monthly filings for all types of tax in each unit,
- Set targets on filing rates after taxpayer deregistration is made in order to timely assess taxpayers' risk,
- Implement deregistration measures or temporarily revoke VAT registration certificate for taxpayers who have not filed VAT returns for three consecutive months;
- Develop a mechanism that can allow taxpayers to e-file their return and to process tax payment through information technology systems in order to reduce costs and time of the taxpayers and the burden of tax administration.

5.1.1.4 Auditing

29. Auditing is one of the key functions in tax administration to verify whether taxpayers under the self-assessment regime honestly and accurately file their returns and pay tax. Auditing is divided into two types: (a) limited audit is administered by the LTD and district/provincial branches and is carried out in current year (12 months), focusing on specific types of tax and (b) comprehensive audit is carried out backward for a period of 3 to10 years by the Department of Enterprise Audit (DEA) and covers all kinds of taxes, including annual profit tax.

30. The GDT has been improving the effectiveness of auditing through sectoral risk assessment and risk analysis based on tax returns, enterprise's financial statements, enterprises with high credit carryforward, crosschecking of VAT invoice, information verification with the GDCE and assessing economic situations and seasonality. In addition, the GDT has also recruited and trained additional auditors, prepared 15 circulars related to auditing and risk assessment and been preparing guidebooks on the audit procedures for important sectors such as banking, construction, transportation and telecommunication.

31. Despite improvement and continued effort on auditing activities, the GDT still faces a number of challenges such as (1) absence of an official guideline on risk assessment method and risk selection that help to improve the effectiveness of auditing activities, (2) lack of an integrated plan dealing with risks in different sectors, (3) absence of detailed analysis on large companies and companies that have declared losses for many years but have not bankrupted, (4) information for risk analysis scattering across GDT's departments, (5) limited number and capacity of auditors and (6) inadequate incentive mechanism for well-performing auditors.

32. In order to address the above challenges, the GDT of the MEF shall implement the following measures:

Short-term Measures

- Improve the existing risk assessment methods, including selection of large companies as priority for auditing and preparation of a circular to set a standard with a profile record that indicate taxpayers' risk behavior in order to use as a basis for taxpayers selection for audits,
- Recruit additional auditors for both comprehensive and limited audits in order to meet the actual demand, the increase in the number of enterprises at the departments and district-provincial branches and improve the effectiveness of auditing,
- Develop and implement incentive mechanism for auditors based on actual performance,
- Compile a guidebook on rights and obligations of taxpayers related to auditing,
- Design audit reports and record of feedback in order to verify past risk assessments to improve future risk assessment method and to assess taxpayers' risk behaviors (such as level of compliance, error, fraud, under reporting, serious tax evasion, etc.),
- Enforce submission of financial reports audited by external auditors in order to strengthen compliance and reduce GDT's auditing workloads.

Medium-term Measures

- Continue to improve enterprise risk assessment method and develop a computerized risk assessment,
- Strengthen the collection of taxpayers' information through automatic sharing of information within the GDT and among relevant institutions,

- Develop audit circular on important sectors including banks, construction, transportation and telecommunication in order to facilitate auditing activities and to enhance the effectiveness of audit function,
- Develop circular on transfer pricing.

5.1.1.5 Debt Collection and Appeals

33. The level of debt collection has been steadily growing because of a number of measures taken by the GDT. Those measures include prohibiting tax debtors from registering new companies, restraining them from executing transfer of ownership of their properties, publishing tax debtors' names on media, cooperating with the General Department of National Treasury (GDNT) to deduct tax debts, cooperating with the GDCE to detain their import merchandises and cooperating with police to take legal action and force tax debtors to pay.

34. Although the level of debt collection has increased, debt collection remains a challenge for the GDT because of some reasons: (1) debts have not been written off although the debtors have disappeared for years, (2) some companies filed their tax returns without payment, (3) unilateral tax assessment on non-filers, on taxpayers without proper bookkeeping and on taxpayers who do not cooperate and provide information to the GDT's auditors, (4) multiple-year debts lead to the increase in fines and interest payment, (5) the implementation of debt collection measures such as confiscation, confinement of the tax debtors' property or filing lawsuit against the debtors as set in the law of taxation has been delayed and (6) most tax debtors may not be aware of appeal procedures, which could also cause the level of debts to accumulate.

35. In order to address those challenges, the GDT of the MEF shall implement a number of short-term measures as follows:

- Set target of debt collection for each department and district/provincial branch and strictly implement debt collection measures against large debtors who have not appealed and have incurred new debts,
- Implement stringent measures as set in tax regulations, which include confiscating or detaining debtors' properties and lodging lawsuit against debtors,
- Compile a guidebook for debt collection management,
- Amend Prakas on rules and procedures for dealing with appeals.

5.1.2 Strengthening Support Functions

36. Support functions are related to the arrangement of the organizational structures and the general planning for departments, including management plan for resources, human resource and technological equipment, which are key to support and strengthen the effectiveness of core business functions. Strengthening of support functions focuses on (1) strengthening of management and organizational structure, (2) human resource management and (3) IT.

5.1.2.1 Strengthening of Management and Organizational Structure

37. Strengthening of management and organizational structure is crucial for enhancing effective management of general operation and tax collection. In response, the GDT reformed its management structure, which includes an establishment of office in charge of self-assessment regime in 1994, VAT collection unit in 1996, nationwide expansion of self-assessment regime and large taxpayer management office in 1999. In 2005, Tax Department also reformed its structure, focusing on its vision, mission, roles and duties. In 2008, Tax Department became the GDT, under the supervision of the MEF, which comprises of 7 departments at headquarter,7 district branches in Phnom Penh and tax branches in 23 provinces.

38. Despite the progress, reforms have still been inadequate and unable to respond to the fast-growing economy, taxpayers' demands and future development. As the GDT's work is highly specialized and complicated in nature, the GDT must clearly identify and publicize its long-term vision and specific goals in order to further ensure consistency in structural organization and planning and implementation of strategies in line with long-term vision. Besides, some departments have not established key offices to specifically deal with the needs of their operations, which include office of tax crime investigation, office of internal audit, call center, office of public relation and office for research and analysis of IT system.

39. Internal audit is important for improving the effectiveness of governance and risk management within an organization. Also, it helps promote integrity for the organization and earn trust from taxpayers. The GDT has established a Control Office under the Control Department with function similar to that of internal audit. However, this office does not perform according to the work standards of internal audit and is normally inactive. The ineffectiveness of internal audit and weak performance of the roles and duties by the Control Department have prompted difficulties in monitoring and evaluation of operations of departments and district/ provincial tax branches.

40. To address those challenges, the GDT of the MEF shall implement measures as follows:

Short-term Measures

- Set and publicize the GDT's vision to all tax officials and the public,
- Review operational plans of departments and district/provincial branches and identify priority goals with realistic timeframe,
- Improve organizational structures of each GDT's department and establish additional offices for departments at the headquarter and provincial tax branches in order to enhance the effectiveness of operations management,
- Continue to strengthen and revise roles and duties of the Office of Internal Audit in the Control Department,
- Create a permanent committee/working group for reform management, including experienced officials with appropriate incentives,

- Create Office of Tax Crime Investigation in the Control Department and provide professional training to the officials in charge,
- Set criteria for tax officials to qualify as judicial police.

Medium-term Measures

- Continue to improve the GDT's organizational structures and create new departments and offices to meet the work requirements of the GDT,
- Formulate and implement institutional development plan (IDP).

5.1.2.2 Human Resource Management

41. Human resource management is a core task to which the GDT has been paying attention by recruiting additional officials, training officials in both domestic and overseas, setting staff disciplines and code of ethics, strengthening professional skills, punishing malfeasance, etc. To this end, the GDT has been developing human resource management strategy, which focuses on recruiting new officials, training officials, staff planning for current and future needs, setting staff disciplines and code of ethics, managing officials' statistics, assigning staff to each department based on potential revenue and attrition rate.

42. While the GDT has been developing human resource management strategy, it is facing a number of challenges: (1) skilled and experienced officials are limited and assigned to other tasks—development of tax policy and other urgent ad hoc works— irrelevant to their key roles and duties, impacting the effectiveness of tax collection, (2) the majority of staff at district/provincial branches are assigned to low yield taxes, leaving high yield tax collection understaffed. This practice will further complicate management when there is a complete change from estimated regime to self-assessment regime, an increase in the number of self-assessment taxpayers and a rise in new enterprises and (3) the current incentive rationalization for all tax officials does not take into account performance-based incentive.

43. In order to address the challenges, the GDT of the MEF shall implement short-term measures below:

- Finalize human resource management strategy,
- Rationalize performance-based incentives, continue capacity building for staff at all levels and improve curriculum of the National Tax School in order to respond to actual requirements,
- Accelerate recruitment process to meet the need of each tax department,
- Finalize terms of reference (TOR)and responsibilities, and performance evaluation framework of tax officials based on hierarchy,
- Finalize a draft on code of ethics of tax officials and develop guidelines on disciplines and punishment with rigorous procedures,
- Develop standard guidelines for staff rotation,

- Develop a budget plan for each tax department in order to receive adequate and timely budget for supporting tax collection activities and effective implementation on tax administration reform.

5.1.2.3 Information Technology (IT)

44. A modern IT system is important for supporting activities—taxpayer registration, taxpayer service, return filing, auditing and debt collection management—that would save time through increased efficiency of data and staff management. Recognizing the benefits of IT system, the GDT has updated information and news on its website and changed from written to printed tax receipts (tax items in the self-assessment regime and in the estimated regime, and property tax). Further, the GDT has installed WAN for transferring taxpayers' data and information from 7 district branches in Phnom Penh (phase 1) and 16 provincial tax branches (phase 2) to headquarter.

45. Notwithstanding the progress, the GDT is still facing a number of challenges: (1) the quality of management of tax collection operation through information technology system and information management function remains poor, unmodernized and unautomated, (2) information technology strategic plan, which could be helpful for installing a modernized information system, is absent, (3) the number of staff in IT Department is limited and (4) resource requirement for investment in IT system has yet to be comprehensively evaluated.

46. In order to address the challenges, the GDT of the MEF shall implement measures as follows:

Short-term Measures

- Recruit additional officials with IT skills for all GDT's departments to support IT modernization and automatization plan,
- Complete the installment of WAN in accordance with technical standard so as to electronically transfer information from district/provincial tax branches to headquarter,
- Develop and implement e-filing system.

Medium-term Measure

- Develop and implement information technology strategic plan based on each phase of implementation, needs of users and demands for equipment as well as develop IT procurement plan based on the strategic plan for supporting activities concerning taxpayer service, return filing, auditing and debt collection management.

5.2 STRENGTHENING OF REVENUE ADMINISTRATION OF GENERAL DEPARTMENT OF CUSTOMS AND EXCISE OF CAMBODIA

47. The General Department of Customs and Excise of Cambodia (GDCE), a public administration under the supervision of the MEF, has already implemented its 5-year Strategy on Customs Reform and Modernization for 3 times that seeks to strengthen structure, professional

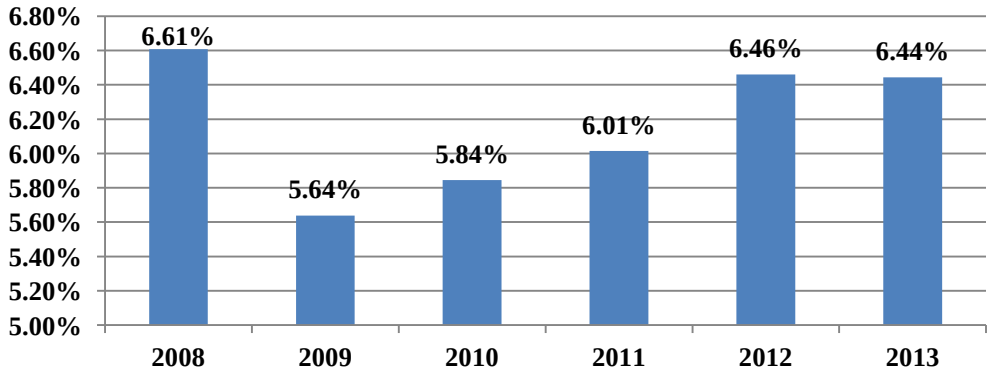
skills and customs procedures in order to mobilize revenue to its full potential and transform itself to be an effective service providing agency.

48. Through this reform and modernization program, the GDCE has achieved its remarkable revenue collection in spite of having a narrow tax base, especially based only on a few imported goods such as vehicles, petroleum products, cigarettes, construction materials and electronic appliances. The actual collection has always met the planned target, accounting for more than half of government's total tax revenue. The average customs revenue has accounted for approximately 6% of GDP per annum with annual growth rate of more than 10 percent (Figure 4). With the comprehensive 60-day operational plan, implemented since November 2013 as directed by **Samdech Techo Prime Minister,** on generating more revenue, preventing and combating smuggling, and improving customs governance, the GDCE achieved its revenue target at around KHR3,955 billion (6.44% of GDP) in 2013.

49. Imported commodities that represent a significant of the total customs revenue are petroleum products, vehicles, cigarettes and construction materials. The customs revenue collected from petroleum products and vehicles accounted for over 4% of GDP and about 62% of total customs revenue. Other important sources of customs revenue are from imported cigarettes and construction materials, which annually contributed about 0.4% and 0.2% of GDP, respectively. In addition, value added tax (VAT) contributed on average 2.2% of GDP per annum (36% of total customs revenue) from 2007 to 2012. Excise import and international trade tax contributed about 1.6% of GDP and 1.1% of GDP, respectively. Finally, export tax contributed about 0.1% of GDP.

50. Besides, the GDCE has also made remarkable progress with respect to improving customs administration such as the expanding scope of post-clearance audit (PCA) and the establishment of an intelligence unit at the headquarter to gather information for better risk management. Furthermore, the GDCE has adopted full implementation of WTO's procedures and techniques for customs valuation. In 2012, Cambodian customs procedure was almost fully complied with the Revised Kyoto Convention on the Simplification and Harmonization of Customs Procedure, which Cambodia has become a signatory in 2014.

Figure 4: Customs Revenue (%GDP) 2008-2013



Source: GDNT

51. Despite these significant achievements, there remain a number of challenges that need to be addressed to improve customs revenue collection. Some administrative challenges are in the following areas: tax evasion/smuggling, customs declaration procedure, intelligence gathering and analysis, risk management, customs valuation and PCA. In terms of customs policy, there are a few challenges that need to be addressed: (1) the main source of revenue shifted from customs duty to domestic tax revenue as revenue from international trade taxes has declined as a result of the implementation of free trade agreements with ASEAN members and other trading partners, (2) forgone revenue from tax and duty exemptions under QIPs, (3) low excise regime due to lower excise tax rates as compared to the regional average, (4) import substitutions and (5) application of reference price that does not reflect the fluctuation of market prices. Moreover, in terms of oversight or governance, there are weaknesses in the area of long-term IDP, monitoring and evaluating customs reform program, human resource management and internal audit.

52. To address the above issues and challenges, the strengthening of customs administration shall focus on these core areas: (1) clearance processes, (2) cross-border mechanism and (3) supporting mechanism.

5.2.1 Strengthening Clearance Processes

53. Clearance processes shall focus on 3 main areas including: (1) customs declaration, (2) identification and classification and (3) PCA.

5.2.1.1 Customs Declaration

a. Manifest Control

54. Based on international best practice, the GDCE should receive pre-arrival information such as name of shipper/carrier, goods, quantity, weight and container number from carriers/shipping companies prior to the arrival of goods for verification. When the goods arrive at a port, bill of lading or airway bill, invoice and packing list are submitted to customs officers for inspection. In order to effectively manage manifest control, the GDCE introduced the first phase of a pilot system for automated manifest function at Phnom Penh Autonomous Port in 2012.

55. Despite the introduction of an automated manifest control, there is a great concern on the mismatch between actual imports and information contained in submitted documents. In some cases, the invoices do not identify the minimum information of commercial activities related to specific goods and copy invoices are accepted to fasten the clearance processes; therefore, the possibility of falsified import documents can be relatively high, leading to the misdeclaration of price, quantity and classification of goods. Moreover, at some international border checkpoints, customs officials do not receive pre-arrival information from the carriers and/or the exchange of information between carriers and customs authorities is not properly and regularly made. In some cases, Kampuchea Shipping Agency & Brokers (KAMSAB) receives the original shipping documents but does not provide them to the GDCE in a timely manner. Besides, some

companies legally act as both customs broker companies and importing companies without identifying the real name of the importing companies or individuals.

56. Furthermore, falsification of bill of lading of transit goods destined to Cambodia via Thailand and Vietnam has also been noticed due to limited effectiveness of customs transit control functionality, absence of IT system to fully support end-to-end automated declarations, non-functioning mechanism for pre-arrival information of goods and delay in exchange of information with neighboring countries although some Memorandum of Understandings (MoUs) have already been signed.

57. To address the above challenges, the GDCE of the MEF shall implement the following measures:

Short-term Measures

- Set a minimum information in the specific commercial invoice based on applicable customs regulations,
- Strengthen automatic customs declaration system, inter-linked with the port community system,
- Strengthen the effectiveness of consistency check and compliance of export-import documents,
- Organize meeting between the GDCE and KAMSAB to prepare MoU on the management and exchange of pre-arrival information in a regular and timely manner,
- Strengthen the mechanism to manage customs brokerage companies, warn and punish anyone who is not legally permitted to operate as customs brokers.

Medium-term Measures

- Prepare and introduce procedures for pre-arrival customs clearance,
- Develop and implement a complete transit module in ASYCUDA,
- Finalize and implement the MoU between the GDCE and KAMSAB on the management and exchange of pre-arrival information in a regular and timely manner.

b. Verification of Custom Valuation

58. The GDCE has gradually decentralized verification of customs valuation to its local offices (customs valuation is limited to Preah SihanoukVille International Port) to increase the effectiveness of customs valuation based on transactional value while other supporting mechanisms are strengthened. The next step is to continue expanding the decentralization of customs valuation to all local customs offices and to strengthen procedures of verification of rules of origin and classification. In addition, valuation team shall be established and has the roles to verify the consistency of customs valuation and calculate customs duty based on the "Cost, Insurance and Freight" (CIF) valuation database, which has been regularly updated from other sources.

59. There are challenges in verification of customs valuation because the CIF valuation database is not regularly updated based on market price and not fully automated.

60. In order to address the above challenges, the GDCE of the MEF shall implement the following measures:

Short-term Measures

- Strengthen and conduct quarterly update of 3 chapters per quarter of the CIF price valuation database, consistent with current market price,
- Reviews the possibility of centralizing customs valuation of sensitive goods at the customs headquarter to ensure effective revenue collection.

Medium-term Measure

- Decentralize the customs valuation of non-sensitive goods to local offices after the price valuation database has been updated.

5.2.1.2 Identification and Classification of Risks

a. Risk Management

61. Risk Management is used to improve trade facilitation through the reduction of unnecessary inspection and minimizing the clearance periods at the port by classifying arrived cargo into four channels: Red (document and physical inspection), Yellow (document inspection), Blue and Green (PCA).

62. The GDCE has made a great deal of progress in risk management (RM). Customs Risk Management Database System (CRMDS) – an enforcement database to develop degrees and parameters of commodity risks – was operational and extended to five customs branches. Moreover, some profiles of high-risk traders, goods and customs brokers were updated in The Trader Credibility Management System (TCMS). Furthermore, some verification on risks of transit goods was made. Based on the 60-day operational plan, additional CRMDS will be installed in the end of 2013 at two border checkpoints—Trorpeurng Sre and Trorpeurng Phlong.

63. Despite the progress, there remains some challenges to be addressed: (1) there are lots of unnecessary inspections due to lack of effectiveness of selectivity criteria of risk management. Consequently, in 2013, on average 12% of Single Administrative Documents (SADs) are designated to red channel that require physical inspection, yet no violation is found, and this indicates that RM system has characteristics of prevention rather than combating and (2) incomplete reconciliation of manifest, partially updated profiles of importers, partial risk analysis and limited intelligence function are still the challenges for the effective functioning of the RM.

64. To improve the RM system, the GDCE of the MEF shall implement the following short-term measures:

- Update risk selection criteria and integrate it into CRMDS based on principle of professionalism,
- Install CRMDS to all customs border checkpoints,
- Regularly observe and evaluate trader's risk criteria into Trader Credibility Management System (TCMS) and regularly update it,

- Revise the risk criteria of the list of prohibited and restricted (P&R) goods in the Sub-decree 209 ANK.PR dated 31st December 2007 on the application of the list of P&R.

b. Intelligence

65. Intelligence management system is developed and used to update risk indicators and integrate them into the ASYCUDA system in order to establish risk selection criteria. The ASYCUDA system then gives color signals to the RM system and sends reports to all the customs border checkpoints.

66. Remarkable progress has been achieved through the implementation of several initiatives in the area such as bilateral mutual agreements with regional customs authorities, the establishment of the focal points for the exchange of intelligence, support from bilateral development partners and international organizations, and cooperation with customs authorities of other ASEAN members.

67. However, the intelligence management system is not fully functioned because the intelligence unit is understaffed with limited capacity and skills.

68. In order to improve the effectiveness of intelligence management system, the GDCE of the MEF shall implement the following measures:

Short-term measures

- Collect data from all sources in order to effectively manage customs intelligence system,
- Increase number of intelligence officials at every customs branch/office and implement a fully functioning intelligence management system.

Medium-term measure

- Develop and implement a systematic action plan for intelligence management, inter-linked with the relevant institutions.

5.2.1.3 Post Clearance Audit (PCA)

69. Audit on customs declaration is used as a tool for trade facilitation by reducing excessive cargo inspections at ports or borders. It is only applied to goods categorized under Blue and Green channels. In 2013, the audit unit reviewed 184,467 cases of SADs or about 58% of total volume.

70. PCA at the business premises has witnessed remarkable progress including: (1) established PCA audit teams at the business premises and (2) prepared PCA manual for officials.

71. In spite of the progress, PCA is still facing a number of key challenges. The PCA has been extended to only a few on-site audits, which leaves room for revenue leakages. In addition, many importers and businessmen have not properly managed bookkeeping in accordance with regulations, causing difficulties for on-site audits. The number of officials is inadequate with limited capacity for expanding the coverage of on-site audits. Information sharing between the GDT and GDCE is not timely and not up to date.

72. To improve the compliance, the GDCE of MEF shall strengthen the effectiveness and expand the scope of PCA through the implementation of the following measures*:*

Short-term measures

- Expand the PCA unit from 6 to 9 teams,
- Disseminate the mechanism of PCA to all relevant businessmen, especially related to the obligations to manage proper bookkeeping and documents regarding import and export,
- Regularly share PCA results to the RM system.

Medium-term measures

- Establish an automated risk information exchange channel among relevant customs offices from the results of PCA,
- Maintain the independence and professionalism of PCA officials by avoiding many positions for each official at the clearance office.

5.2.2 Strengthening Cross-border Mechanism

73. Strengthening cross-border mechanism shall focus on smuggling and customs valuation.

5.2.2.1 Smuggling

74. In Cambodia, smuggling has occurred at sea, on land, by air and with almost all goods, especially petroleum products, which are highly sensitive to customs revenue.

75. The GDCE has increased effort in combating smuggling, in which smuggling on automobile and machinery has been reduced noticeably in the past 10 year. The GDCE has cracked down on 6,378 minor cases and 391 major cases in 2013. The total tax and penalty was KHR33 billion in 2013.

76. In spite of the above progresses, smuggling is still a major challenge because: (1) a strong smuggling networks may still exist, (2) misclassification of products and country of origin is partly caused by falsified customs declaration, (3) patrol and inspection tools are insufficient, (4) the exempted goods are not properly monitored and evaluated, (5) act of breaking down large shipment into smaller cargoes and hiding under informal trading activity along the border as well as seaway smuggling still exist and (6) information sharing among the GDCE, the GDT and relevant agencies is not effective.

77. To prevent and suppress all forms of smuggling, the GDCE of the MEF shall implement the short-term measures as follows:

- Continue to implement the 60-day operational plan and annual operational plan to reduce all forms of smuggling,
- Finalize and implement a medium-term anti-smuggling plan with clear indicators and timeframe,
- Enhance officials' capacity to lodge criminal cases against smugglers,
- Strengthen the compliance on usage of customs tax exempted goods,

- Introduce stickers for customs tax exempted imported vehicles, establish vehicle database management system through cooperation with local authorities and verify illegal vehicle plates to reduce vehicle smuggling,
- Establish temporary bonded customs storage along the borders and urban areas to reduce dispersing smuggled goods and to reduce compliance burdens on traders,
- Review the composition of the inter-ministerial committee on preventing and combating smuggling as directed by Order No. 02 of the RGC, dated 19 December 2001.

5.2.2.2 Customs Valuation

78. Cambodia has fully complied with the WTO valuation since January 2011. In compliance with the WTO valuation, the GDCE terminated the publication of the administrative pricing, started implementing Customs Valuation Supporting System (CVSS) and has gradually decentralized customs valuation to 16 provincial customs branches.

79.The current customs valuation is facing with a number of challenges that need to be addressed: (1) the reference pricing used to verify the declared values is not regularly updated with current market prices and not fully reflected to the transactional price, (2) investors under QIPs declare the input cost higher than the actual value in order to avoid or reduce their tax on profit, (3) Customs Valuation Supporting System (CVSS) is not systematically connected with the ASYCUDA, (4)information sharing from PCA and other relevant Customs units is limited and (5) some smaller border checkpoints are allowed to valuate high-value goods while they are not qualified for thorough valuation.

80. To improve customs valuation and avoid revenue leakage, the GDCE of MEF shall study and evaluate its capacity to fully enforce obligations on customs valuation of exported-imported goods under the customs tax exemption regime to reflect transactional values.

5.2.3 Strengthening Supporting Mechanism

81. Improving supporting mechanism includes the strengthening and expansion of the ASYCUDA, encouraging the implementation of National Single Window, Customs-Private Sector Partnership Mechanism (CPPM), IDP, monitoring and evaluation of customs reform program, human resource management and internal audit.

5.2.3.1 ASYCUDA

82. ASYCUDA's core function is to facilitate trade through the standardization and simplification of customs documents and data as well as the computerization of customs function and data collection from all border checkpoints throughout the country, to quicken the process of customs clearance and to provide trading information and data for analysis and preparation of revenue mobilization policy and other trading policies. The ASYCUDA system has been set up and implemented at the customs headquarter and other 21 customs branches, accounting for over 95% of SADs and about 85% of Cambodian trade. Traders and customs brokers can enter trade data into ASYCUDA from the companies' premises directly without having to physically visit

the customs offices at the checkpoints. This practice can reduce face-to-face meeting between traders and customs officials and accelerate the process of customs inspection and clearance.

83. The ASYCUDA has not been implemented to its full potential for these reasons: (1) important modules (i.e. manifest module, customs bonded warehouse module, transit module and trader profile module) have not been fully used and (2) there is no automated connection among existing systems such as the connection between CRMDS and ASYCUDA.

84. Therefore, to ensure the full function of ASYCUDA and to extend the implementation of this system, the GDCE of the MEF shall implement the following measures:

Short-term Measure

- Install the ASYCUDA to relevant institutions at the border checkpoints and Excise Department.

Medium-term Measures

- Connect the ASYCUDA to CRMDS, NSW and ASEAN Single Window,
- Extend the remaining functions of ASYCUDA.

5.2.3.2 National Single Window (NSW)

85. The NSW is one of the RGC's 12 plans for the improvement of investment climate and facilitation of trade in Cambodia. In order to align with AEC's vision of 2015, the RGC has continued the operation of NSW with the GDCE as the leading agency and started with semi-automatic single window. Its main objective is to link the GDCE with other relevant authorities by establishing networks within NSW to accept customs declaration, registration, documents inspection and issuing export-import permit simultaneously.

86. Slow implementation of the NSW is due to some challenges, including (1) lack of commitment in involvement and cooperation from relevant agencies to provide input for customs risk assessment that will be incorporated into the RM system and (2) little involvement of private sector in establishing and implementing the NSW.

87. To reach full implementation of the NSW, in the near future the GDCE of the MEF shall implement the following measures:

Short-term Measure

- Promote full implementation of the NSW in accordance with the regulations.

Medium-term Measures

- Link the NSW with the ASEAN Single Window as a pilot project,
- Strengthen effectiveness of works between government and traders, government and government, and traders and traders to support the long-term implementation of the NSW.

5.2.3.3 Customs-Private Sector Partnership Mechanism (CPPM)

88. Encouraging private sector to promote compliance and effective trade facilitation in Cambodia is a strategic objective of CPPM, in which the GDCE has formed a Trade Consultative Committee as a mechanism to strengthen the consultation with private sector. Recently, the GDCE has established an Authorized Economic Operator (AEO) program through drafting regulations based on the international best practices and signed MoUs with relevant customs authorities to officially recognize the AEO in order to enhance the effectiveness for the CPPM.

89. In November 2013, the GDCE held seminars at all customs branches to raise awareness of private sector on customs standard and procedures, such as customs clearance, transportation and tax obligations, in order to improve compliance by the private sector.

90. However, private sector has not actively and effectively cooperated with the GDCE in providing suggestions as well as necessary information to the GDCE to improve customs services for traders and assist them in understanding newly introduced customs procedures to ensure customs compliance.

91. Therefore, to encourage more active and effective involvement of private sector, the GDCE of the MEF shall implement short-term measures as follows:

- Organize forum on CPPM to address concerns of the private sector,
- Implement incentive mechanisms for high compliance traders.

5.2.3.4 Institutional Development Plan (IDP)

92. Previously, the GDCE has been preparing the Strategy and Modernization and Reform Program in every 5 years to strengthen the customs revenue collection and compliance, and improve customs administration and policy to ensure equity and in line with the PFMRP and the **RS**.

93. In order to achieve the ambition of building a modern customs administration in line with international best practices in terms of structure, expertise and operational procedure, to effectively serve the RGC and business community as well as to seek other potential sources of revenue to offset losses from the implementation of the ASEAN Free Trade Agreements and regional economic integration, the GDCE shall formulate long-term IDP with vision, clear strategic goals and actions.

94. Therefore, in order to achieve the aforementioned goals, the GDCE of the MEF shall implement a short-term measure by preparing IDP with a long-term vision.

5.2.3.5 Monitoring and Evaluation of Customs Reform Program

95. The GDCE has been implementing the fourth phase of the Strategy and Modernization and Reform Program 2014-2018 after it successfully implemented the previous phase. The monitoring and evaluation of customs reform program, which will be implemented in the fourth phase, is necessary and shall be regularly monitored and evaluated based on clear indicators of the reform program.

96. In the past, the GDCE prepared and used preliminary indicators to measure major results and for the implementation of the customs reform program. With this progress, the monitoring and evaluation of the customs reform program is still facing some challenges: (1) the reform committee is not active, (2) progress report is not regularly prepared for monitoring and evaluation and (3) collected data is redundant and not useful.

97. In order to improve the monitoring and evaluation, the GDCE of the MEF shall implement a short-term measure of strengthening the reform committee to monitor and evaluate reform progress and address challenges.

5.2.3.6 Human Resource Management

98. Effective human resource development and management is one of the most important strategic goals in the Strategy and Modernization and Reform Program 2014 -2018. The GDCE has developed: (1) human resource development plan, (2) incentive program, (3) specialized skill building program, (4) program for promotion and enhancement of customs officials' physical education and integrity, (5)program for officials' training and capacity building, (6) officials' code of conducts and professional ethics and (7) performance evaluation system. As of the end of 2013, the total number of customs officials was 1,594.

99. Code of conducts and professional ethics are parts of governance reform of the GDCE. The GDCE has held meetings with customs officials from all branches to strengthen their adherences to disciplines, code of conducts and professional ethics. The officials are required to uphold good governance principles for not having any conflicts of interest or discrimination against taxpayers. For good governance purpose, customs complaint boxes were installed at all customs branches and headquarter to receive feedbacks from taxpayers and take timely action accordingly. Furthermore, the GDCE has the CPPM and public relation unit as the secretariat and focal point to address concerns, receive suggestions or complaints from the private sector, especially for importers and exporters, to coordinate and resolve issues based on regulations in order to improve fiscal code of ethics and maximize trade facilitation.

100. However, current discretionary practices at the management and operational level remain a challenge due to the lack of operational management and monitoring system. Moreover, human resource management of the GDCE still faces some challenges: (1) in practice, a number of customs officials occupy multiple positions, undermining their performance due to additional workloads and burdens, (2) customs officials' adherence to code of ethics is still poor and (3) customs officials still lack capacity, knowledge and skills necessary for carrying out their roles and duties.

101. To strengthen code of conducts and professional ethics and capacity as well as redefine roles and responsibilities, the GDCE of the MEF shall implement the following short-term measures:

- Avoid assigning multiple positions,
- Strengthen the adherence to the code of conducts of customs officials,

- Strengthen capacity of customs officials through necessary training programs,
- Increase the number of customs complaint boxes at main border checkpoints,
- Recruit public relation officials at customs offices.

5.2.3.7 Internal Audit

102. Under the Strategy and Modernization and Reform Program 2009-2013, the Office of Internal Audit was established in accordance with Prakas No. 388 MEF. PK and under direct supervision of the Secretariat and must report to the Director General of the GDCE, who is also the chairman of the Committee for Customs Reform and Modernization.

103. In the past, Internal Audit has not fully exercised its duties due to these challenges: (1) the Office of Internal Audit is not fully functional in accordance with applicable regulations, and (2) officials from Administration Department have assumed roles and duties in the Office of Internal Audit which are contradictive to the roles and duties as stipulated inapplicable regulations.

104. To strengthen the effectiveness of internal audit, the GDCE of the MEF shall implement the following short-term measures:

- Support a fully functioning Office of Internal Audit based on roles and duties stipulated in existing regulations through the allocation of appropriate resources,
- Develop a regular internal audit reporting system for the Director General of the GDCE,
- Promote the cooperation between the Office of Internal Audit of the GDCE and other audit agencies.

5.3 STRENGTHENING OF NON-TAX REVENUE ADMINISTRATION

105. Non-tax revenue has great potential for further collection. Its revenue sources come from various sectors and activities including from state properties management, concessions, public service delivery fees, fines and other types of non-tax revenue. The MEF supervises, monitors and promotes non-tax revenue collection through General Department of State Property and Non-Tax Revenue (GDSPNTR) and General Department of Financial Industry (GDFI). Along with its potential, non-tax revenue collection faces many challenges for each sector in collecting revenue to its full potential, both common and specific. In this sense, strengthening non-tax revenue administration shall focus on addressing both types of challenges, especially for sectors with high revenue potential.

5.3.1 Context and Common Challenges of Non-Tax Revenue Collection

106. Non-tax revenue contributed on average of 19% per year of the RGC's total revenue, equivalent to about 2% of the GDP during 2002-2012. It increased from KHR802 billion in 2008 to KHR1,442 billion in 2013. The important sources of non-tax revenue in 2013 included visa and related fees (19%), state property privatization and management (17.8%), tourism (17.1%), civil aviation (6.6%), post and telecommunication (5.3%) and product quality inspection and standard compliance (5.5%).

107. Non-tax revenue is controlled and collected by line ministries/institutions and agencies at both national and sub-national administration levels. Two types of revenue collection are (1)

direct payment and (2) straight payment. Direct payment comes from profit sharing (dividend) with public enterprises, contracts or agreements of state properties and other concessions. Straight payment is in the form of cash or check made by revenue collectors. There remain challenges in revenue management and collection by line ministries/institutions which require collective measures.

108. The line ministries/institutions and agencies both at national and sub-national administration levels have not properly assigned senior officials to monitor, record and mobilize revenue as well as take measures to collect debts. The involvement and cooperation from line ministries/institutions and agencies in recording and collecting revenue and debt remain weak. In addition, cooperation on submitting report, data, contracts, agreements or licenses by line ministries/institutions to the MEF is still limited. Besides, there are cases of signing or revising contracts, agreements or issuing licenses without the review and approval from the MEF. Late revenue payment, undeclared revenue and insufficient use of receipts by line ministries/institutions and agencies at both national and sub-national administration levels are also common challenges in this sector.

109. Issues of debt collection remain in sectors such as post and telecommunication, tourism and civil aviation. These debts have accumulated as no effective mechanism has been taken, resulting in chronic debts. Furthermore, debts are created by certain activities such as sales and leases of state properties and mining concessions as private counterparts have failed to comply with contracts' terms and existing regulations while the RGC has not taken stringent measures to address these issues.

110. On the other hand, the capacity in revenue collection is still limited in certain sectors such as natural resource, casino, insurance and telecommunication, which requires necessary technical knowledge in order to get in-depth understanding of contract preparation, routine work and future difficulties. Furthermore, certain tasks of revenue collection and monitoring require travelling to remote provinces that needs appropriate resources accordingly.

111. In order to address these challenges, the following necessary measures shall be taken:

Short-term Measures

- Assign an official from the management level (member of the RGC) of line ministries/institutions collecting non-tax revenue to be in charge of monitoring, recording, mobilizing revenue and taking measures in debt collection under the authority of the line ministries/institutions,
- Continue strengthening and promoting the use of receipts,
- Continue promoting the use of banking system for revenue transfers,
- Promote the transfer of non-tax revenue from line ministries/institutions to the single account of the GDNT in correct amount and in a timely manner,
- Continue implementing and improving the standard of public services to make non-tax revenue payment more convenient, transparent, accountable and efficient,

- Prepare and implement relevant rules and regulations as well as clearly define roles and duties between relevant line ministries/institutions and agencies in recording, monitoring and mobilizing non-tax revenue,
- The MEF shall take measures in pressing the line ministries/institutions and agencies at the national and sub-national administration levels to strengthen revenue and debt collection in accordance with the applicable regulations and guidelines,
- Line ministries/institutions and agencies at the national and sub-national administration levels in charge of non-tax revenue collection must submit contracts, agreements, licenses, logbooks and related documents to the MEF in order to set up database system for monitoring revenue payment and compliance of contracts' terms, agreements, licenses and logbooks as well as promote revenue payment and take necessary measures,
- The MEF shall create a revenue reporting template for all line ministries/institutions and agencies at the national and sub-national administration levels in order for them to prepare and timely submit monthly report to the MEF,
- Restructure the existing working groups and establish inter-ministerial working groups immediately for sectors in need such as civil aviation, tourism, telecommunication and others, to collect debts in accordance with procedures, guidelines and applicable regulations,
- Request the National Audit Authority (NAA) to audit state property management and non-tax revenue of line ministries/institutions and agencies at the national and sub-national administration levels,
- The MEF shall prepare reports for the Prime Minister on the monitoring, recording and collecting revenue, or undeclared revenue by line ministries/ institutions and agencies at the national and sub-national administration levels, request incentive mechanism for well-performing institutions in revenue collection and take stringent actions on relevant institutions and officials with poor performance or un-declaring revenue in addition to applicable laws,
- Line ministries/institutions and agencies at the national and sub-national administration levels responsible for debt collection must submit detailed reports periodically to the MEF on mechanisms and outcomes of debt collection,
- Line ministries/institutions must cooperate with the MEF to warn, revoke licenses, cancel contracts or freeze bank accounts and take other measures in compliance with laws on companies that do not pay their debts,
- Delegate authorities and provide sufficient resources to officials to monitor and collect non-tax revenue,
- Study and review the preparation of incentive mechanisms for relevant officials to strengthen the effectiveness of revenue collection.

Medium-term Measures

- Review and revise agreements or contracts that do not reflect social progress or provide fairly shared benefits to the RGC,
- Set up a database system by linking communication network between the GDSPNTR and revenue collectors of line ministries/institutions, as well as national and sub-national offices in order to record, monitor, and take timely and effective measures on revenue payments,
- Prepare and implement skill development plan of each sector for the officials in charge of monitoring and collecting non-tax revenue,
- Establish a working group led by the MEF in the framework of Committee for Economic and Financial Policy in order to evaluate the effectiveness of collecting public service fees, taking into account Cambodia's competitiveness with other neighboring countries on service fees for business and trade activities by studying and revising public service fees and incentives for officials.

5.3.2 Civil Aviation Sector

112. Civil aviation revenue includes royalty charge, navigation fee, takeoff and over-flight fees under the management of Cambodian Air Traffic Services Company (CATS), and revenue sharing from Societe Concessionnaire de l'Aeroport (SCA) that manages the operation of all international airports. This sector has high potential for further revenue generation due to the increasing number of flights annually. In 2013, the sector generated about 6.6% of the total non-tax revenue with its average annual growth around 6.2% during 2008-2013.

113. Revenue collection in this sector faces some challenges as follows: (1) revenue from CATS and SCA is low and (2) current rate of the service fees is low.

114. In order to address these challenges, the following necessary measures shall be taken:

- Review the possibility of revising contracts with CATS and SCA on revenue sharing by examining the actual amount of investment in infrastructural expansion and improvement and airport services in line with current economic growth and revenue from this sector,
- Review the incentive scheme for the Secretariat for Civil Aviation.

5.3.3 Tourism Sector

115. Tourism sector is a potential driver for national economic growth. With the "Open Sky Policy", the tourism sector has experienced fast growth in terms of number of tourist arrivals, hotels and resorts. In 2013, the number of tourist arrivals to Cambodia was about 4.2 million, an increase of 17.5% compared to 3.6 million in 2012. The revenue from this sector is derived from the issuance of tourism licenses for hotels, guest houses, restaurants, karaoke, resorts and entrance fees to natural and historical resorts, etc... In 2013, its contribution to overall non-tax revenue was estimated at 17.8% or equivalent to KHR210 billion, with an annual average growth rate of 10.5% between 2008-2013. Revenue collection from this sector faces the following challenges: (1) the amount of increased revenue does not correspond to the rising number of

tourist arrivals, (2) the registration and classification of hotels and restaurants lack of a comprehensive management system and (3) the use of receipt remains limited.

116. In order to address these challenges, the following necessary measures shall be taken:

Short-term Measures

- Review the possibility to increase all tourism licensing fees,
- Establish IT system for licensing application,
- Establish an inter-ministerial working group to examine, monitor and identify other sources of revenue from this sector,
- Review the possibility to increase entrance fees to tourism resorts,
- Require the classification of hotels before licensing renewal,
- Enhance the effectiveness of working group on the evaluation and classification of hotels, led by the Ministry of Tourism.

Medium-term Measures

- Take measures to increase revenue from concession contracts from tourism resorts as well as review the possibility to revise contracts,
- Establish a classification system for all tourism services.

5.3.4 Revenue from Visa and Related Fees

117. The Ministry of Interior (MoI) and the Ministry of Foreign Affair and International Cooperation (MFAIC) are in charge of collecting visa and related fees. The issuance of Visa is made in two forms: (1) sticking visa to passport and (2) electronic visa (e-visa). As e-visa is beneficial for international tourists in saving time and cost, the use of this service has steadily grown. The revenue is noticeably high and will continue to grow annually in line with the growth of tourism sector. In accordance to the decree 227 dated August 6th 2014,coming into effect since October 1st 2014, the RGC increased fee from USD20 to USD30 for tourist visa (type T) and from 25 USD to 35 USD for normal visa (type E), in line with domestic and regional development. In 2013, the revenue from visa and related fees contributed 19.8% of total non-tax revenue.

118. Despite having potential for further growth in revenue, because of the increasing number of tourists and higher visa fees, this sector has faced certain challenges such as: (1) lack of technical standard in recording revenue and monitoring procedure for visa inventories, (2)late and vague information related to the management of revenue from visa and related fees, given by officials in charge of visa issuance making recording complicated, (3) the use of receipts inconsistent with the actual number of visa issuance and (4)the future impact of visa exemption on the revenue from this sector.

119. In order to address these challenges, the following necessary measures shall be taken:

Short-term Measures:

- Continue to require officials at all international checkpoints, consuls and embassies to submit monthly, quarterly, semi-annual and annual reports on visa and related fees, the numbers of visas and receipts,
- The MoI and MFAIC shall prepare 3 reports for visa and related fees, the numbers of visas and receipts that are corresponding with each other and provide a basis for monitoring and evaluation,
- Visa issuance offices shall keep all types of receipts records and notes for verification,
- Promote the use of recording procedures and strengthen the monitoring of visa stickers inventory and receipts inventory in accordance with stock inventory keeping-rule.

Medium-term Measures:

- Prepare circular on the management of visa and related fees and visa slips in order to verify the number of issued visas with the revenue earned,
- Prepare and impose travelling fees step-by-step, beginning with air travelling in order to offset the forgone revenue from visa exemptions.

5.3.5 Post and Telecommunication Sector

120. The post and telecommunication sector is crucial for economic development. This sector has achieved noticeable progress in both internet and mobile phone markets. Its revenue includes profit-sharing from telecommunication operators, internet and telecommunication license fees, postal license fees, postal and telecommunication turnover, and other sources of revenue. In 2013, its revenue accounted for 5.4% of the total non-tax revenue.

121. Revenue from this sector is expected to continue growing, resulting from the increase in telecommunication services such as mobile and internet services and rising number of users. Despite its significant contribution to national revenue, there remain some challenges: (1) lack of policy framework and regulations, (2) lack of effectiveness in managing, issuing and quantifying the number of licenses, (3) lack of management mechanism and strategic direction and (4) gross revenue sharing with mobile operators is not timely and unresponsive to market condition.

122. In order to address these challenges, the following necessary measures shall be taken:

Short-term Measures

- Promote and strengthen the effectiveness of inter-ministerial working group to collect debts,
- Expedite the establishment and operation of Data Monitoring Centre (DMC),
- Withdraw or cancel inactive licenses or contracts,
- Expedite the drafting and implementation of Law on Telecommunications.

Medium-term Measures

- Prepare and amend Law on Post,
- Prepare and implement the Post and Telecommunications Policy, National Broadband Policy and Information Technology and Post Policy.

5.3.6 Revenue from Economic Land Concession and Forestry

123. The Ministry of Agriculture, Forestry and Fishery (MAFF) and the Ministry of Environment (MoE) are in charge of Economic Land Concessions (ELCs). In 2013, 230 companies were granted ELCs with a total size of 1,934,986 hectares, of which 122 were granted by the MAFF with a total size of 1,316,396 hectares, and 108 companies were granted by the MoE with a total size of 618,500 hectares. With the implementation of the RGC's Order 001, 360,000 hectares of ELCs of 129 companies were withdrawn and given to the local people under the "Old Policy-New Action" framework in land sector. Additionally, 67,892 hectares of ELCs were withdrawn, completely from 17 companies and largely from 2 companies to be under the management of the RGC. As a result, by November 2014, 213 companies were granted ELCs with a total size of 1,507,004 hectares. To date, approximately 360,856.04 hectares of ELCs were cleared, and 316,472 hectares were already completed with its plantation. Pursuant to the guideline of the RGC, ELCs concessionaires are to pay annual rental fee of USD5 per hectare of cleared land starting from the sixth year, and the fee is subject to increase by 1% every year from the seventh year onward. Also, within one month after signing the contract, the concessionaires are required to deposit USD10 per hectare on the total land granted. 70% of the total deposit will be returned to the concessionaires after plantation is completed according to their master plan while the remaining 30% will be used to settle the rental fee at the end of the contract. The RGC will continue monitoring and evaluating concessionaires and nullify the contracts with inactive ELCs concessionaires.

124. To improve the management of ELCs, on May 9th, 2014, the MAFF and the MoE issued a joint Prakas on "Strengthening Management of ELCs" and agreed to set the rental fee based on the size of cleared land permitted by the MAFF and the MoE. Besides, timber and non-timber products on ELCs do not belong to the concessionaire but the state and need to be registered as state inventories for public bidding. In addition, sales of timber and non-timber products on the sites of hydropower dam and irrigation zone and fines on forestry related violation activities are crucial sources of revenue. For instance, from 2011 till the first semester of 2014, its revenue totals KHR269.93 billion, of which KHR151.27 billion was from ELCs, KHR26.12 billion from

hydropower dam and KHR92.54 billion from other sources. For the first eleven months of 2014, the revenue from ELCs under responsibility of the MAFF was KHR3.76 billion.

125. Although the ELCs have been granted for a long period of time, this sector is still facing challenges such as: (1) low revenue collected from ELCs rental fee and sales of timber and non-timber products and (2) lack of effective measures taken by relevant ministries to find solutions to collect revenue from rental fee and sales of timber and non-timber products as well as debts from the concessionaires.

126. In order to address these challenges, the following necessary measures shall be taken:

Short-term Measures

- The MEF, the MAFF and the MoE shall prepare and implement joint Prakas, one on the purchase and rights transferring of ELCs, one on procedures for paying the rental fee of ELCs and another on establishing mechanisms and procedures in managing and collecting revenue from sales of timber and non-timber products on ELCs, sites of hydropower dam, irrigation zone and other sources,
- The MAFF and the MoE shall require the concessionaires to pay the rental fee of USD5 per hectare per year starting from the sixth year, pursuant to the RGC's guidelines,
- The MAFF and the MoE shall prepare ELCs database system in order to manage and monitor the compliance to contracts' terms including the rental payment to the state,
- Prepare and charge fees on sales or transfer of rights of ELCs and impose stamp tax in accordance with applicable laws.

Medium-term Measures

- Review ELCs pricing policy with the objectives of attracting investors as well as attaining appropriate benefits to the state,
- The MAFF and the MoE shall register all ELCs to be consistent with the state-land registration.

5.3.7 Lease of Islands and Beaches for Tourism Development

127. The RGC has signed long-term contracts to lease islands, coastal areas and resorts to private companies to invest and develop into tourism resorts. Those companies are obliged to make deposit, pay lease fee and meet other investment requirements. The Council for the Development of Cambodia (CDC), as a contractual party representing the RGC, is in charge of reviewing and approving the application for and monitoring the implementation of the projects. To date, there are such 39 contracts under the review of the inter-ministerial framework and the CDC's one-stop service. In fact, this sector faces challenges such as: (1) slow implementation in project development and (2) late rental fee payment.

128. In order to address these challenges, the following necessary measures shall be taken:

- Prepare and implement a joint Prakas issued by the MEF and the CDC on management of revenue from contracts of leasing islands, coastal areas and resorts in order to thoroughly monitor compliance to contracts' terms and required payment, enforce stringent measures to collect debts and impose fines or annul contracts with the deposit taken by the state in certain cases so as to encourage the implementation of development projects of islands and beaches in order to diversify tourism sites,
- Prepare and impose fees on sales or transfer of rights of the leasing contracts as well as charge stamp tax.

5.3.8 Revenue from Public Enterprises

129. Public enterprises refer to the enterprises that all or most of its capitals are owned by the state. Public enterprises are established with an objective to facilitate the social and economic development. They are under the financial supervision of the MEF and technical supervision of relevant ministries/institutions. Revenue from this sector is generated through dividend sharing from the enterprises including Phnom Penh Water Supply Authority (PPWSA), KAMSAB, SihanoukVille Autonomous Port, printing and publishing houses and others.

130. Collection of revenue from this sector still faces some challenges: (1) most public enterprises often request reduction of the required dividend payment or to keep all the dividends, citing the financial needs for the expansion of businesses and services, (2) some enterprises are often late in transferring their dividend payments due to the shortage of cash flow or customers' credits and (3) limited responsibilities from members of the Board of Directors and state controllers in encouraging dividend payment into the state budget.

131. In order to address these challenges, the following necessary measures shall be implemented:

Short-term Measures

- Public enterprises shall prepare a well-defined long-term plan and development policy,
- Strengthen the roles and duties of the MEF representatives in the Board of Directors, and the state controllers of each public enterprise in providing information and detailed reports on financial performance, management of the enterprises and other important issues to the MEF for timely measures,
- Organize at least 2 meetings annually between the MEF representative members of the Board of Directors, state controllers, management of the enterprises and the MEF top management,
- All public enterprises are obliged to pay annual dividend to the state budget in accordance to the applicable rules and regulations,
- Public enterprises need to be fully audited from a private audit firm recognized by the rules and regulations of Cambodia as well as approved by the MEF,
- Strengthen monitoring business operation, annual investment expenditure and verification of the change in inventories conducted by the MEF. If necessary, the monitoring and

evaluation shall be carried out by the joint taskforce comprising of the GDT, General Inspectorate (GI), GDSPNT and technical supervision ministries.

Medium-term Measures

- Review the possibility of improving the rules and regulations on the management of the public enterprises,
- The MEF shall study and lead the preparation of expenditure standard for each enterprise. In case of violation against the established standard, those enterprises are subject to legal measures and procedures in force.

5.3.9 Public Administration Institutions

132. Public administration institution is the institution mandated to provide administrative, social-cultural, scientific and technical services. Currently, there are 25 public administration institutions under the technical supervision of the Ministry of Health (MoH), MAFF, Council of Ministers (CoM), Ministry of Labor and Vocational Training (MLVT), Ministry of National Defense (MND), Ministry of Social Affairs Veterans and Youth Rehabilitation (MSAVYR) and Ministry of Cultures and Fine Arts (MCFA). Their revenue is partly from the subsidy of state budget support for administrative operation and investment, together with revenue derived from public service provision and other sources of revenue.

133. During the starting phase, the RGC used to provide preferential treatment by bypassing the need for those public institutions to transfer their surplus budget to the state so that it could be used for building and developing the institutions. To date, a number of public administration institutions has made progress and developed in parallel with the development of the country and currently is able to generate revenue to support its administrative operation and physical infrastructure investment and still have budget surplus. Despite such progress, some public administration institutions are still receiving subsidy from the RGC and have no plan to become financially autonomous public institutions.

134. In order to address these challenges, the following necessary measures shall be implemented:

Short-term Measures

- Strengthen the roles and duties of the MEF representatives in the Board of Directors and the state controllers of each institution in providing information and detailed reports on financial performance, management of the enterprises and other important issues to the MEF for timely measures,

- Organize at least 2 meetings annually between the MEF representative members of the Board of Directors, state controllers, management of the enterprises and the MEF top management,
- Review the possibility to reduce subsidy from the RGC for administrative operation such as water bills, garbage charges, electricity bills and phone bills together with reduction of ineffective expenditures on social and economic investment,
- Monitor regularly the revenue and expenditure operation,
- Strengthen the annual budget planning for revenue, expenditure and institution development plan.

Medium-term Measures

- Thoroughly review and amend legal rules and regulations related to public administration institutions to ensure the development of public administration institutions and Cambodia's economy are aligned as well as review the possibility of transferring budget surplus to state budget,
- Review the possibility of transforming qualified public administration institutions to public enterprises,
- Review the possibility of transforming qualified state entities to public administration institutions.

5.3.10 Natural Resources

135. Natural resources including mines, oil, gases, sand and soil can be major sources of non-tax revenue. Revenue from these natural resources are derived from licensing fees for mine exploration, contracts or agreements for oil exploration and royalty charges on other natural resources and activities. This has high potential for additional revenue generation given that those natural resource businesses are currently in the exploration stage.

136. The natural resources sector remains hindered with several challenges including: (1) low revenue from royalty charges and from exploration activities, (2) limited collaboration from line ministries/institutions in providing reports and contracts to the MEF, resulting in difficulty for responsible officials in monitoring and evaluating revenue collection, (3) agreements and contracts were made without involvement from the MEF, which is in contrast to the Article 17 of the Law on Public Finance System.

137. To address these challenges, the following necessary measures shall be taken:

Short-term Measures

- The Ministry of Mines and Energy (MME) shall prepare database and a system to monitor financial obligations on contracts and licenses issued by the ministry to private, legal entities or natural persons, specifying the status of the contracts or licenses that are issued, being implemented and not in operation, and the implementation of relevant contracts and licenses,
- Every approval of contacts and licenses by the MME shall have the MEF's involvement to be considered as valid, according to the Article 17 of the Law on Public Finance System,
- All concerned ministries/institutions shall disseminate information to private natural persons and legal entities on relevant laws and regulations in force and obligations in royalty payments and other revenue payments to the state,
- Strengthen effective collaboration between the MLMUPC, MME, MWRM, National Bank of Cambodia (MBC), commercial banks, all levels of local authorities and technical departments under the MEF to set and expedite royalty payments for mine, sand and soil businesses based on market approach,
- Set up and implement a transitional fine mechanism for violations in mining sector.

Medium-term Measures

- Review and revise license fees and royalty charges for the exploration and business of all kinds of mines.
- Study and define mine pricing index to evaluate the royalties from mining.

5.3.11 Revenue from Privatization (Sale-Transfer) and Lease of State Properties

138. Privatization and lease of state properties provide significant contribution to national budget. In 2013, revenue from privatization and lease of state properties was KHR206 billion, equivalent to 17.5%, falling from 19.1% of non-tax revenue in 2008. This revenue is expected to drop further since the privatization is no longer the RGC's policy priority of the Fifth Legislature of the National Assembly. Revenue from the lease of state properties is collected according to fees set in lease and payment agreements. However, the revenue from the leases makes little contribution to the national budget.

139. Main challenges in this sector are: (1) privatization and sales of some state properties are not in compliance with applicable rules and regulations and (2) lease fees of some state properties do not correspond with the current situation of social and economic development.

140. To address these challenges, the following necessary measures shall be taken:

Short-term Measures

- The MEF needs to check the terms and conditions of leasing contracts of state properties and related rules and regulations with relevant ministries/institutions to review the fees with lessees based on current market situation and mutual consensus to ensure mutual benefits.
- Promote the issuance of ownership titles of all state properties, especially the properties leased to private counterparts.

Medium-term Measures

- Review and amend contracts which do not provide proper benefits to the state,
- Prepare registration of all state properties,
- Promote the issuance of ownership titles of all state properties owned by national and sub-national institutions and public legal entities,
- Promote registration of inventories of state properties, including those confiscated from offences, completion of projects of national and sub-national institutions and public legal entities as well as the donation from developing partners, non-governmental organizations (NGOs) and donors.
- Promote land appraisal of national and sub-national institutions and public legal entities that are excluded from property tax list set by the GDT.
- Promote the inventory registration of land that is settled through resettlement policy.

5.3.12 Revenue from Casinos

141. Another key source of revenue comes from casinos and other business activities within the premises of casinos. The revenue comes from license fees to operate casinos and from other gambling and non-gambling businesses. In 2014, the MEF issued/ renewed licenses for 57 casinos, of which 18 are at the Cambodia-Thai border, 29 at Cambodia-Vietnam border, 8 in SihanoukVille, 1 at Bokor Mountain and 1 in Phnom Penh.

142. Revenue from casinos contributes partly to non-tax revenue. However, this sector faces various challenges, of which the main issue is the absence of law on management of casinos, while others include: (1) limited cooperation in the enforcement of existing regulations between the MEF and MOI, (2) limited authority for the monitoring officials to take crack-down measures against illegal gambling and (3) most casinos are in remote areas and are small scale, which are often closed down.

143. To address these challenges, the following necessary measures shall be taken:

Short-term Measures

- Mobilize revenue from all gambling businesses to its full potential that are permitted by the RGC,
- Establish mechanisms to prevent and prohibit all kinds of gambling activities that are operating without licenses from the MEF,

- Strengthen and continue collecting revenue based on estimated regime until Law on Casino Control is adopted and implemented.

Medium-term Measure

- Expedite the drafting and approval of the Law on Casino Control.

5.3.13 Revenue from the Issuance of Certificates of Origin of Goods (C/O)

144. Revenue from the issuance of C/O is through fees charged from the declaration of the origin of the products for exporting. There are two types of such revenue including the Administrative Fee and Export Management Fee. This revenue may arise from the export of products from Cambodia and is expected to increase because of the growth of exports and Generalized Scheme of Preferences (GSP) conditions from foreign countries. In 2013, the MoC collected revenue of KHR127 billion from this sector and is expected to increase in 2014 even though the revenue from the administrative fee will slightly drop as the United States of America (USA) does not require a certificate of origin. With the above progress, there are still some challenges that need to be addressed: (1) interruption in garment sector caused by demonstration and strikes that leads to decrease in production and (2) the termination of trade preferential scheme under FTAs by foreign countries causes a fall in revenue from administration fee.

145. To address these challenges, the RGC imposes the following measures:

- Promote effective implementation of joint declaration between the MEF and MOC by providing better and more transparent public services in order to build confidence and convenience for service recipients,
- Promote bookkeeping in accordance with guidelines from the MEF to reflect the actual situation of revenue collection so that it can be used as a basis for monitoring and evaluation of its performance,
- Promote better services provided to factory/enterprise owners to improve the production process with high quantity.

5.3.14 Revenue from Concessions of State Public Properties

146. Revenue from the concessions of state public properties comes from fees imposed on markets, parking lots and revenue from other state concessions. This revenue is expected to potentially increase. However, revenue collection from this sector faces some issues, namely: (1) lack of full responsibilities of technical officials and local authorities in monitoring the implementation of contracts and logbooks and (2) some granted investment and concession contracts are not in compliance with the regulations on financial procedures.

147. To address these challenges, the following necessary measures shall be implemented:

Short-term Measures

- Strengthen the compliance with the regulations on financial procedures for granting investment contracts and other concession contracts as well as impose punishment on those agencies that do not follow the procedures in force,

- The MEF shall assign specialized official to inspect the implementation of logbooks and all kinds of concession contracts of state properties at least 2 times per year in order to take timely measures,
- Municipal/provincial authorities shall lead and cooperate with provincial departments of economy and finance in developing effective mechanism for regularly inspecting the implementation of concessions' logbooks under their authority,
- Prepare and implement phase-by-phase warning mechanisms and revoke business licenses or nullify contracts on market fees in case of noncompliance with financial procedures,
- The MEF shall strengthen planning on annual revenue from concessions of state public properties by cooperating with provincial authorities and municipal/provincial departments of economy and finance.

6. IMPROVING REVENUE POLICY AND INSTITUTIONAL FRAMEWORK

148. Effective revenue collection requires a strong emphasis on improving revenue policy and institutional framework, including: (1) improving tax and non-tax system, (2) strengthening institutional mechanisms with a focus on sharing and providing information among institutions together with policy coordination and dispute resolution mechanisms and (3) improving policy and implementation framework for tax and non-tax revenue collection.

6.1 IMPROVING TAX AND NON-TAX REVENUE SYSTEM

149. In order to avoid creating new type of tax and raising the rate of tax and excise, to ensure the convenience, equity, justice, efficiency, transparency and accountability in the management of revenue collection, and to respond to the current level of economic development, the RMS 2014-2018 will focus on collecting revenue to its full potential within the framework of existing tax policy.

150. In the near future, especially after 2018 when revenue is collected to its full potential along with the needs of economic development for the next 10 years, the RGC needs to review and improve tax and non-tax revenue system with the aim at making this system become a key economic driver that plays important roles in creating jobs for the people, attracting investment, providing equity and justice, ensuring efficiency, transparency and accountability for revenue collection, raising revenue to meet the RGC's needs and effectively implementing the RGC's laid-down policies.

151. In response to economic development in the next 10 years, a necessary measure to be taken is to study and prepare a blueprint for the improvement of tax and non-tax revenue system.

6.2 STRENGTHENING INSTITUTIONAL MECHANISMS

152. Effective and efficient policy coordination and information sharing between revenue-collecting agencies such as the GDT, GDCE, GDFI and GDSPNTR is the key to improving work performance and increasing efficiency of all concerned revenue administrations. Furthermore,

sharing of information and data on registrations, contracts, acquisition of concessions and bidding with or from the RGC through expenditure institutions such as General Department of Procurement (GDP), GDNT, CDC, MoC, Ministry of Land Management, Urbanization and Construction (MLMUC), Ministry of Public Works and Transportation (MPWT) and all other ministries/institutions with the GDT and GDCE will facilitate and speed up routine works of the GDT and GDCE as well as auditing business activities of tax payers.

153. Apart from good cooperation between the institutions of the RGC, effective revenue administration also depends on good cooperation between public sector and private sector. The RGC has set up and implemented a number of mechanisms such as Government and Private Sector Forum (GPSF), tax team under the supervision of legislation working group, taxation and governance team, trade consultative committee of the GDCE, etc... in order to help address concerns and challenges that the private sector is facing as well as strengthen cooperation between the public sector and private sector.

154. Overall, policy coordination together with sharing and provision of information and data between revenue and expenditure institutions are facing a number of challenges and are a common issue that has not been addressed effectively. In fact, although there is an MoU on the sharing and provision of information between the GDT and GDCE, information sharing between the two institutions takes too long while information given does not respond to the requests. Also, the sharing of information from other institutions such as the GDP and GDNT to other institutions is still limited. In addition, fiscal policy coordination has not been prepared and implemented yet. Although there are many mechanisms to strengthen the cooperation between the public sector and private sector, to date the RGC has not prepared tax dispute resolution mechanism yet.

155. To address the aforementioned challenges, necessary measures need to be taken as follows:

- Resume regular meeting of the working group from the GDT and GDCE by assigning one senior official from the MEF to lead the meeting, strengthen its performance as well as monitor and evaluate the cooperation of both general departments,
- Concession contracts, procurement contracts, other contracts, agreements, real estate registration data, vehicle registration data or approval letters and other documents related to tax obligations and duties and public financial obligations of the state between tax payers and the RGC must be given to the GDT and GDCE,
- Establish a working group to study terms and conditions, scope and needs of information between the GDCE and GDT, and share it directly through IT system,
- Create and launch fiscal policy committee in order to streamline export-import tax structure and tax base by taking into account of economic and social aspects based on the principle of equity, social justice, economic efficiency, transparency and accountability,
- Prepare sub-decree on Tax Arbitration Committee to resolve tax disputes.

6.3 IMPROVING TAX AND NON-TAX REVENUE POLICIES AND IMPLEMENTATION FRAMEWORKS

156. Improved fiscal policies and implementation frameworks of this strategy will focus on enhancing the implementation of necessary policies and frameworks including tax incentives on Qualified Investment Projects (QIPs), turnover threshold in self-assessment regime and special excise rate on essential goods. As stated before, the improvement of tax and non-tax policies generally aims to compensate for the loss of revenue and simplify tax system, to ensure equity and justice and maintain stability, transparency and efficiency of revenue collection as well as to ensure smooth and consistent implementation of the country's international obligations, particularly in relation to economic integration. In fact, the aims of the policies and frameworks for the implementation of tax and non-tax revenue include: (1) excise tax on certain types of goods and services, (2) implementing VAT, (3) revising estimated tax regime, (4) reviewing tax incentives for investment projects, (5) implementing international agreements, especially the negotiation on Double Taxation Agreement (DTA), (6) improving property tax, (7) improving personal income tax, (8) improving tax on petroleum and mineral resources, (9) amending tax laws and regulations to ensure smooth implementation, (10) taking measures to compensate for the loss of customs revenue from the implementation of the ASEAN Free Trade Agreements and other related agreements and (11) preparing and implementing the Law on the Management of State Properties and Law on the Management of Non-tax Revenue.

6.3.1 Excise Tax on Some Types of Goods and Services

157. The strategic objectives of revising excise tax are: (1) increase tax revenue for the general purpose and compensate for the loss of revenue from eliminating or reducing taxes on international trade due to the implementation of the FTAs, (2) reflect external costs of consumption or production excluded from the price of goods, (3) encourage reduction in the consumption of goods and services which are harmful to health, society and environment, and the consumption of luxurious goods and (4) improve the effectiveness of tax system with accountability and transparency.

158. Although the revenue from excise tax imposed on a number of goods and services increases from year to year, the management and collection of excise tax still face several issues: (1) factories producing goods such as wines, beers, cigarettes, all types of soft drink etc. have not lawfully fulfilled their tax obligations yet, (2) the GDT has not regularly assigned its officials to inspect all factories that are obligated to pay domestic excise tax, (3) revenue loss as a result of the exemption of excise tax for QIPs, (4) low excise tax rate in comparison with other countries in ASEAN, (5) revenue loss from import-substitution products which are obligated under excise tax and (6) lack of effectiveness in the management and monitoring of excisable imported goods.

159. In order to address the above challenges, critical measures must be taken as follows:

Short-term Measures

- Continue assigning tax officials to inspect domestic factories such as wines, beers, cigarettes and all kinds of beverages etc... which are excisable,
- Prepare Prakas on the requirement of the use of excise stickers on excisable goods,
- Review the possibility to further increase excise tax on electronic and plastic products.

Medium-term Measures

- Review the lists of excisable imported goods,
- Increase excise tax rate and revise excise tax base on goods that are harmful to health such as cigarettes, wines, beers and alcoholic drinks,
- Study the possibility to change from Ad valorem tax to unit tax with excise tax payments from a minimum level,
- Draft Law on Excise Tax.

6.3.2 Value Added Tax (VAT)

160. VAT revenue collection was around 4% of GDP in 2013, of which 1.7% was collected by the GDT. VAT revenue in Cambodia is still low compared with other countries in the region due to some challenges: (1) annual turnover threshold for enterprises under self-assessment regime is high compared to other countries (Cambodia: annual turnover of over KHR500 million or about USD125,000 for providing goods, annual turnover of more than KHR250 million or USD62,500 for providing services, and annual turnover of more than KHR125 million or USD31,250 for providing goods and services to the state, Thailand: USD30,000, Philippines: USD14,000, Vietnam: no turnover threshold, New Zealand: USD27,340, Australia USD36,684, China USD2,974-7,436, and Korea: no turnover threshold) and (2) VAT exemption on some sectors, which are not stated in the Law on Taxation.

161. In order to address the above challenges, necessary measures must be taken as follows:

Short-term Measure

- Amend the sub-decree on VAT by lowering annual turnover threshold for enterprises under self-assessment regime in order to expand tax base and increase revenue from VAT and other taxes.

Medium-term Measures

- Abolish VAT exemption on sectors that are not stated in the Law on Taxation,
- Establish VAT refund mechanism for purchases of goods exported by foreigners at the international airports.

6.3.3 Estimated Regime

162. Taxpayers under estimated regime are small taxpayers who are not under self-assessment regime, which covers large and medium tax payers. Estimated-regime taxpayers must pay 2% of their turnover and profit tax at a progressive tax rate by tranche from 0% to 20% every month.

Challenges with the collection of tax under estimated regime include: (1) non-transparency in tax payment because the amount paid depends on consultation and negotiation between taxpayers and tax officials; the agreed tax amount is revisable within 3 months, 6 months or one year, which can cause inequity among taxpayers, (2) high annual turnover set under self-assessment regime results in a large number of taxpayers in the estimated regime that requires a lot of tax officials at district/provincial branches to monitor and collect the taxes, which are of low tax yields and (3) a large number of taxpayers under estimated regime whose turnover meets the condition of self-assessment regime do not want to register in the self-assessment regime because it increases the expenses in bookkeeping while the they are required to pay VAT of 10% and many other taxes with total tax payment higher than that under estimated regime. Additionally, it requires that their companies be audited at a later time.

163. In order to address the above challenges, several essential measures must be taken as follows:

Short-term Measures

- Prepare regulations for estimated regime taxpayers to pay patent tax annually and turnover tax and profit tax bi-annually or annually in order to reduce the burden of the taxpayers; and transfer tax officials to tax offices that yield more tax revenue,
- Conduct campaigns to transfer estimated regime taxpayers whose turnover meets the condition of self-assessment regime to self-assessment regime,
- Prepare and implement cash-accounting self-assessment regime that requires the taxpayers to simplify their bookkeeping.

6.3.4 Review on Tax Incentive Scheme for Investment Projects

164. Tax incentive policy for QIPs was introduced by the Law on Investment of the Kingdom of Cambodia in 1994 and amended in 2003. This policy aims to attract foreign investments while the country's economic development was still low; the industry was weak, and physical infrastructure was inadequate. According to a preliminary study on revenue loss resulted from QIPs, annual revenue loss is estimated to be about 3% of GDP on average over 2004-2012 period and profit tax loss was about 0.4% of GDP on average over 2009-2011 period. However, these tax incentives have provided economic benefits through the creation of jobs for the people, especially in labor-intensive industries, which have employed a total number of about 600 thousand workers and created many other indirect jobs.

165. Presently, Cambodia’s new developments include high economic growth, the development of physical infrastructure and the increased productivity of workers. Moreover, the formulation and implementation of the Industry Development Policy, with the objective to attract high value added and skilled industry, requires the review and amendment of tax incentive policy for QIPs.

166. In order to address the above challenges, a necessary measure to be taken is to review tax incentives in the law and regulations related to investment by introducing tax incentives in the amendment of the law and regulations on taxation.

6.3.5 International Agreements

167. Double Tax Agreements (DTAs) is a complicated bilateral agreement and made for the purpose of: (1) eliminating tax barriers on international trade and cross-border investment, (2) eliminating or reducing double taxation imposed on residents whose residency is in both signatory countries, (3) preventing and combating tax avoidance and tax evasion, (4) creating a mechanism to solve disputes resulted from double tax payment, (5) ensuring tax payments, (6) reducing some tax base and tax rate, (7) reducing expenses to meet tax obligations, (8) encouraging inflow of foreign investment, (9) exchanging information among signatory countries and (10) determining the rights and sovereignty to collect taxes among signatory countries and so on.

168. Currently, Cambodia has yet to sign DTAs with any country because: (1) the negotiation with partner countries requires proper study beforehand to avoid loss of tax revenue and a concrete policy framework and proper sample of tax agreement, (2) the capacity of tax officials is still limited to prepare the agreement on determining the rights to collect taxes from the signatory counterparts, which is a complicated procedure and requires negotiators to have adequate knowledge to understand the sample of OECD and United Nations agreements ,and (3) the GDT has conducted a lot of tax reforms at the same time, which causes delay in the preparation process of the DTAs .

169. In order to address the above challenges, several measures must be taken as follows:

Short-term Measures

- Promote inter-ministerial working group led by the MEF and technical working group to negotiate with partner countries,
- Select countries for initial and subsequent negotiations especially ASEAN countries and countries that have significant investment in Cambodia,
- Prepare related regulations to amend regulations with loopholes,
- Increase the number of officials and continue to train them to be prepared for negotiation on DTAs.

Medium-term Measures

- Continue negotiating and signing agreements on DTAs with ASEAN countries and other countries,
- Continue strengthening institutional capacity and human resource for this work.

6.3.6 Property Tax

170. The 2010 budget law imposed property tax rate of 0.1% and set the tax base of only 80% of the total property value for properties with value higher than KHR100 million. This tax has been collected since 2011 for the municipal/provincial budgets with the exemption of some taxes. In 2011, property tax revenue collected was about KHR48.78 billion or approximately USD12.2 million and increased to KHR60.47 million or about USD15 million in 2013.

171. There are a number of challenges in collecting property tax: (1) property tax collection is applied only to properties located in districts of Phnom Penh and in provincial town and has not yet been implemented nationwide, (2) tax on some properties has yet to be declared, (3) this tax has not yet been audited, and there have been no penalties imposed on property owners who have not declared and paid tax and (4) there has been no full cooperation among relevant ministries/institutions, such as MLMUPC, and local authorities.

172. In order to address the above challenges, several measures must be taken as follows:

Short-term Measures

- Audit and enforce the law on property owners who declare tax inaccurately or have not yet filed their property tax return,
- Strengthen cooperation with relevant ministries/institutions, especially with local authorities, on collecting property tax,
- Improve services and make them convenient for taxpayers, especially by developing a mechanism that allows them to pay their property tax through banking and electronic system.

Medium-term Measures

- Increase coverage area of property tax collection to district towns, urban areas and developed areas along the border and subsequently nationwide,
- Improve legal documents related to property tax collection.

6.3.7 Personal Income Tax

173. A comprehensive personal income tax is a direct tax that is annually paid under self-assessment regime, which requires each natural person to calculate the amount of tax to be paid (taxable income multiplied by tax rate) and directly file their tax returns to tax administration. Taxable income of each natural person is derived from each person's income earned from business and investment activities or interest on saving and income from other sources after deduction of some allowable expenses and is calculated by deducting amount of tax exemption and tax relief as determined by the Law on Taxation. Under the current Cambodian tax system, only salary is subject to taxation, in which the amount of tax is withheld and filed monthly by employers on behalf of employees through progressive tax rate by tranche from 0% to 20%. Besides, each individual's income receives from other sources such as rent on land and housing, service provision, interest, dividend, etc. is taxed through withholding tax.

174. Until now Cambodia does not have regulations and supporting mechanisms to collect comprehensive personal income tax, allowing for loss in potential revenue from personal income tax.

175. In order to address the above challenges, a necessary measure to be taken is to conduct a study on the preparation of regulations and supporting mechanisms for implementing a comprehensive personal income tax.

6.3.8 Tax on the Operations of Petroleum and Mineral Resources

176. Taxation on mineral resource and petroleum sector is new and complicated and therefore requires highly skilled tax officials and adequate tax regulations. The current Law on Taxation does not include sufficient regulations related to natural resources (petroleum and other mineral resources) such as amortization of decommissioning cost reserve, decommissioning cost, interest expense, limitation on deduction, transfer of interest and joint venture. This requires the RGC to prepare regulations for managing this sector in order to collect tax on the operations of petroleum and other natural resources in compliance with international standard, which is easy to implement and gives confidence to taxpayers.

177. In order to address the above challenges, several short-term measures must be taken as follows:

- Expedite the drafting of tax regulations on petroleum and mineral resource operations,
- Prepare legal documents related to petroleum and mineral resource operations.

6.3.9 Amendment of Law and Regulations on Taxation

178. The GDT made two comprehensive amendments on the tax systems in 1994 and 1997 and several reforms on tax policy and tax administration. Current development of Cambodia's economy requires the GDT to update the Law on Taxation appropriately in order to eliminate loopholes and discrepancies in the Articles of Law and Regulations on Taxation.

179. In order to address the above challenges, the GDT of the MEF shall implement medium-term measure by identifying the loopholes and discrepancies in the tax system and the tax regulations and prepare to amend the relevant tax regulations as required.

6.3.10 Customs Tax Revenue Loss from the Implementation of ASEAN Free Trade Agreements

180. The ASEAN Free Trade Agreements on Goods create a single regional common market and production base for free flow of trades in ASEAN region and for deeper regional economic integration in order to achieve the goal of AEC in 2015. Cambodia has fully implemented ASEAN Free Trade Agreements on Goods since 2011 after the initial implementation in 2010 in accordance with a project of tariff reduction for 6 types of goods with its respective conditions and timeframes.

181. In the long term, participating in ASEAN Free Trade Agreements will allow Cambodia to increase its competitiveness in trade through reducing costs and accelerate the growth of trading activities. In the short term, however, this agreement will negatively impact Cambodia through reduced tax revenue collection from: (1) imported petroleum and other mineral resources, (2) imported vehicles and (3) imported foods including tobacco and other alcoholic beverages.

182. To address these challenges, the GDCE of the MEF shall evaluate quarterly the loss of customs tax revenue resulted from the implementation of free trade agreements with ASEAN and other partner countries and propose appropriate measures.

6.3.11 Preparation and Introduction of the Law on the Management of State Property and Law on the Management of Non-Tax Revenue

183. In order to contribute to the growth of revenue at 0.5% of GDP per year and to achieve the development plan of the RGC as outlined in the RS - III and the NSDP 2014-2018, non-tax revenue has become an important source of revenue for the RGC, which includes fees from public services, revenues from concessions and natural resources and revenues from managing state properties as the scope of these revenue items have been steadily increasing.

184. The absence of Law on the Management of Non-Tax Revenue leaves loopholes in the collection of non-tax revenue as the coordination amongst relevant ministries/ institutions and all other revenue collecting agencies is limited. As a result, revenue is not collected thoroughly to its full potential. In this sense, the law will focus on the establishment of specific mechanisms, procedures, forms and penalties to strengthen the management and collection of non-tax revenue in a consistent, transparent, effective and accountable manner. In addition, this law will allow the relevant ministries/institutions and all other revenue collecting agencies to have a strong legal basis to perform their roles and duties in collecting revenue and debt.

185. In addition, the absence of Law on the Management of State Properties also poses challenges to the management and control of state properties, especially in terms of classification of state properties, setting fees and charges, inventory list management, the transfer of ownership, conservation, development and use of state properties. Therefore, the adoption of this law is a key factor to achieve the highest efficiency in the management and control of state properties as well as to strengthen mechanisms to collect revenue from this source to its full potential, comprehensively, effectively and in line with the development of society, especially revenue from concessions on state properties.

186. In order to address the above challenges, necessary medium-term measures shall be taken as follows:

- Draft and adopt Law on the Management of State Properties,
- Draft and adopt Law on the Management of Non-Tax Revenue,
- Relevant ministries and institutions must conduct researches and propose amendments to laws and regulations related to the management of all types of state resources such as: Mining Law, Petroleum Law, Concession Law etc... in order to ensure consistency and complementarities with the Law on Taxation, the Law on the Management of State Properties and the Law on the Management of Non-Tax Revenue.

7. STRENGTHENING MONITORING AND EVALUATION

187. Regular monitoring and evaluation are required to ensure effective implementation of the strategy, which is a primary work entailing a great deal of resources and efforts in the long term.

The success could not be achieved without the support from political leaders, management team and implementing officials. Furthermore, the success is also defined by the effectiveness and sustainability in leading the implementation of this strategy. In this regard, two committees for Monitoring and Evaluation of the RMS 2014-2018 will be established: (1) Committee for Monitoring and Evaluation of Tax Revenue and (2) Committee for Monitoring and Evaluation of Non-tax Revenue.

188. Roles, duties and composition of the Committee for Monitoring and Evaluation of Tax Revenue are as follows:

- **Composition:**

- Chairman: Minister of Economy and Finance,
- Vice chairman: Secretary of State of the Ministry of Economy and Finance,
- Members: Representatives from the GDT, GDCE, GDIA, GDNT, GDB and GDEPFP,
- Secretariat: GDEPFP

- **Roles and Duties:**

- Set up implementation timeframe and conduct monitoring and evaluation of all activities and indicators that are set for the GDT and GDCE to implement,
- Coordinate and provide guidance on the implementation of the strategy to the GDT and GDCE ,
- Hold quarterly meeting to monitor, evaluate and take practical actions to strengthen revenue and debt collection in the future.

189. Roles, duties and composition of the Committee for Monitoring and Evaluation of Non-tax Revenue:

- **Composition:**

- Chairman: Minister of Economy and Finance
- Vice chairman: Secretary of State of the Ministry of Economy and Finance
- Members: Leaders of relevant ministries/institutions (Secretary of State or similar) who are delegated to manage and collect non-tax revenue and representatives from the GDSPNR, GDIA, GDNT, GDFI, GDB, GDEPFP and Inspectorate of the Ministry of Economy and Finance.
- Secretariat: GDEPFP

- **Roles and Duties:**

- Set up implementation timeframe and conduct monitoring and evaluation of all activities and indicators that are set for all relevant non-tax revenue collecting agencies to implement,
- Coordinate and provide guidance on the implementation of the strategy to the GDSPNTR, GDFI and relevant ministries/institutions ,
- Evaluate and expedite non-tax revenue payment from all ministries/institutions and take practical measures to strengthen future non-tax revenue and debt collection.

190. With clear structure, monitoring and evaluation of the implementation and progress of the RMS will be divided into two categories: (1) evaluating the implementation of the defined

measures within a set timeframe in accordance with the clear indicators and (2) monitoring progress indicators of actual revenue collection as determined in this strategy, such as average annual growth of revenue and revenue as percent of GDP.

Figure 5: Structure of Committee for Monitoring and Evaluation of the RMS

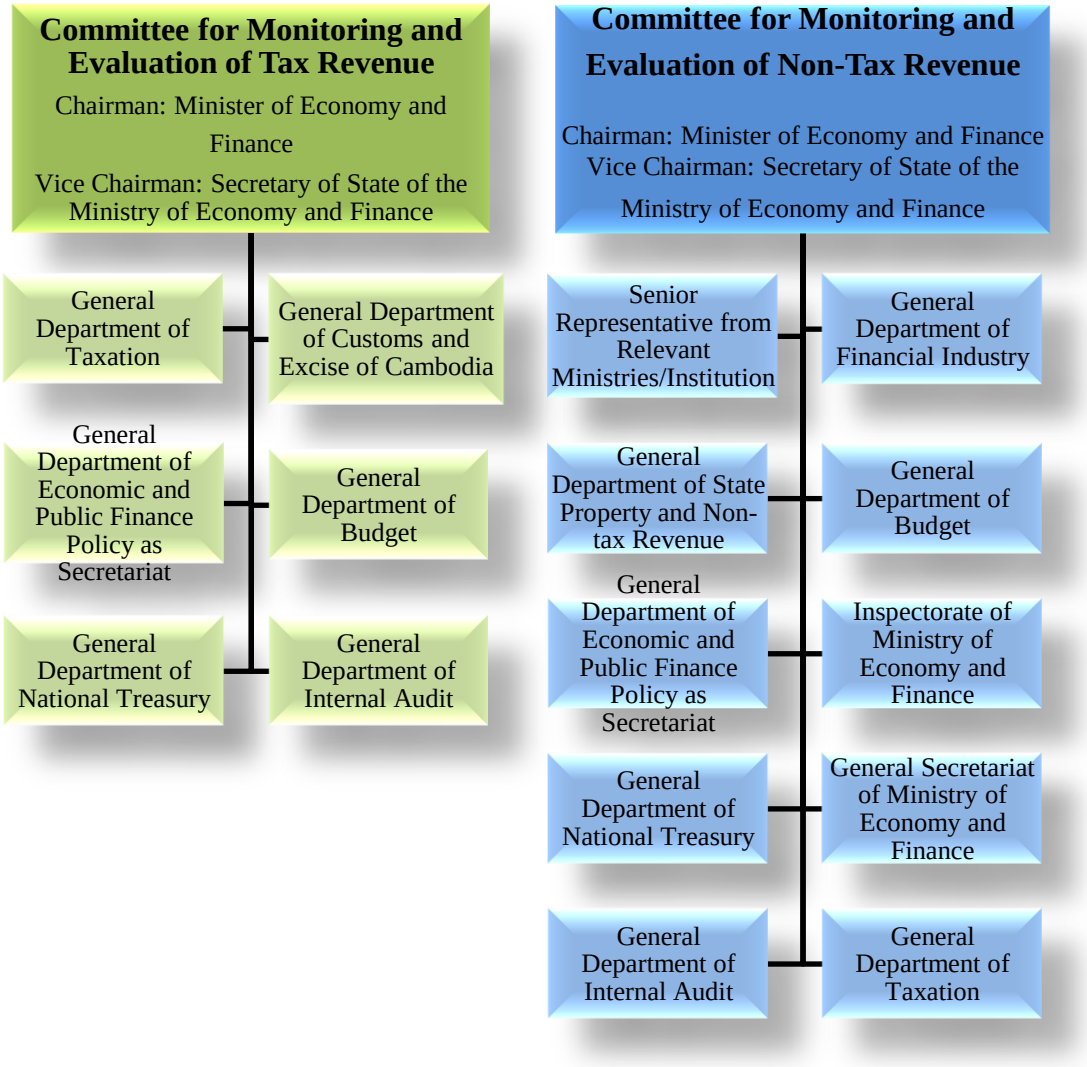


Table 1: Key Indicators for Monitoring and Evaluation as Bases for Revenue Collection[1]

Current Revenue (Billion Riels)	**BL[2].2014**	**P[3].2015**	**P.2016**	**P.2017**	**P.2018**
General Department of Customs and Excise of Cambodia	4,634	5,271	5,926	6,657	7,461
General Department of Taxation	3,974	4,658	5,419	6,275	7,215
Non-tax Revenue	1,677	1,750	1,960	2,210	2,486
Total Current Revenue	**10,284**	**11,679**	**13,306**	**15,142**	**17,162**
Annual Growth					
General Department of Customs and Excise of Cambodia	13.4%	13.8%	12.4%	12.3%	12.1%
General Department of Taxation	12.2%	17.2%	16.3%	15.8%	15.0%
Non-tax Revenue(*)	16.3%	4.3%	12.0%	12.7%	12.5%
Total Current Revenue	13.4%	**13.6%**	**13.9%**	**13.8%**	**13.3%**
% of GDP					
General Department of Customs and Excise of Cambodia	6.85%	7.08%	7.24%	7.39%	7.54%
General Department of Taxation	5.87%	6.26%	6.62%	6.97%	7.29%
Non-tax Revenue	2.48%	2.35%	2.40%	2.45%	2.51%
Total Current Revenue	**15.18%**	**15.69%**	**16.26%**	**16.81%**	**17.35%**
Growth of Current Revenue as % of GDP	**0.44**	**0.51**	**0.57**	**0.55**	**0.54**

(*) Other Tax and Non Tax Revenue

[1] Each revenue indicator was calculated based on 5 year average projected growth rate by using quantitative method and matching with conservative judgment. Each indicator represents minimum revenue target which each general department and department must realize to reflect the progress of its revenue collection performance.

[2] BL is Budget Law

[3] P is Prediction

8. CONCLUSION

191. The RGC has formulated the RMS 2014-2018 for implementation as a part of comprehensive reforms of all sectors laid down by Samdech **Akka Moha Sena Padei Techo HUN SEN,** Prime Minister of the Kingdom of Cambodia, and aligned with policy set in Rectangular Strategy Phase III so as to respond to the demands of future development, promote economic growth, alleviate poverty, raise the standard of livings of the people, manage resources sustainably, strengthen investment climate, promote private sector development and integrate successfully into the region and the world.

192. The implementation of the RMS 2014-2018 is systemically challenging and complicated. It requires better coordination, commitment to actively participate and whole-hearted endeavors from ministries, institutions and all relevant stakeholders in society so as to achieve the set vision, purpose and goal. Further, to implement the strategy successfully and smoothly, there is a need to alter people's mindset and behavior concerning national service obligation in adherence to 4 new work approaches put forth by **Samdech Akka Moha Sena Padei Techo HUN SEN,** Prime Minister of the Kingdom of Cambodia: **"Looking in the mirror, Taking a shower, Scrubbing yourself and Treatment",** with regards to revenue collection and tax payment on the basis of equity, transparency, accountability and taking the interests of the nation and people into high consideration.

193. The achievements of the RMS 2014-2018 will play an important role in transforming Cambodia from a low-income country into an upper-middle-income country by 2030 and a developed country by 2050 in line with the long term vision of the RGC.

Appendix

Appendix 1: Important measures for the administrative reform of General Department of Taxation

No	Strategic Plan	Short-term	Medium-term	Indicators
5.1.1	**Strengthening Core Business Functions**			
5.1.1.1	**Taxpayers Registration**			
1	Establish an enterprise registration management system through a centralized database system,	2015		- Enterprise registration management system through a centralized database system is established.
2	Regularly and timely update taxpayers' profiles, particularly continue with the deregistration of companies that disappeared or failed to file tax returns after auditing,	2015	Regularly	- Number of deregistered enterprises every year
3	Inspect the location of the companies requesting registration and conduct national campaign to gather registration information through street survey, third parties and media to register the taxpayers or to review business turnover that meet the requirement for transferring to the self-assessment regime,	Quarterly	Quarterly	- Number of companies inspected by the GDT every quarter - Number of street survey every quarter
4	Update the issued VAT certificates and prepare to issue new and safer VAT certificates,	2015		- New VAT certificates given
5	Participate in the implementation of "Single Roof" mechanism in collaboration with the Ministry of Industry and Handicraft, Ministry of Commerce and relevant ministries/institutions for the registration of Small and	2015		- "Single Roof" registration for SMEs is implemented.

No	Strategic Plan	Short-term	Medium-term	Indicators
	Medium Enterprises (SMEs).			
5.1.1.2	**Taxpayer service**			
1	Design and implement taxpayer service provision plan for the top 150 largest taxpayers,	2015		- Taxpayer service provision plan for the top 150 largest taxpayers is adopted.
2	Design Frequently Asked Questions (FAQs) list into a guidebook and upload on to the GDT's website	2015		- Frequently Asked Questions (FAQs) list is prepared and published.
3	Establish a call center and a public relation office at the Department of Taxpayer Services and Tax Arrears (DTSTA) and a tax consultation office ateach department and district/provincial branch,	2015		- A call center, a public relation office and a tax consultation office are established.
4	Increase the number of officials in charge of taxpayer service provision and provide additional resources and means for taxpayer service delivery at each department and district/provincial branch to meet actual demand of service and to ensure effective delivery of taxpayer services,	2016		- Number of officials in charge of and amount of fund for taxpayer service provision
5	Continue to implement and strengthen information dissemination, including price list and timeframe of the service delivery to the public,	2015		- Price list and timeframe of the service delivery to the public are disseminated.
6	Continue to establish a place for the collection of complaints through postbox, telephone or email,	2015		- Number of places or post boxes for the collection of complaints
7	Develop and publish a guidebook on taxpayer services and a	2016		- Guidebook on taxpayer services and

No	Strategic Plan	Short-term	Medium-term	Indicators
	guidebook on all tax types,			guidebook on all tax types are developed and published.
8	Disseminate information to the public through workshop, news, radio, television, website, posters and brochures in order to promote tax culture,	2016		- Number of programs for information dissemination are prepared and disseminated.
9	Strengthen capacity and cooperation with private sector, accountants, auditors, legal experts and tax agents in order to promote compliance and understand taxpayers' needs,	2015		- Number of cooperation events, capacity building program and meeting are organized in every 3 months.
10	Design and implement Comprehensive Strategy for Taxpayer Service Enhancement, including a coordinating mechanism between central and local offices, taxpayer service programs, trainings of focal officials who have the expertise in taxpayer services and dissemination, etc.		3 years	- Comprehensive Strategy for Taxpayer Service Enhancement is designed, adopted and implemented.
5.1.1.3	**Return Filing**			
1	Develop a standard report of monthly filings for all types of taxes in each unit	2015		- Standard report of monthly filings is prepared.
2	Set targets on filing rates after taxpayer deregistration is made in order to timely assess taxpayers' risk,	Every year	Every year	- Targets on filing rates are set at: • 75% for the Department of Large Taxpayer, • 70% for Khan tax branches, • 80% for provincial tax branches.
3	Implement deregistration measures or temporarily revoke VAT registration certificate for taxpayers who have not filed	Every 6	Every 6	- Number of deregistered VAT certificates

No	Strategic Plan	Short-term	Medium-term	Indicators
	VAT returns for three consecutive months;	months	months	
4	Develop a mechanism that can allow taxpayers to e-file their return and to process tax payment through information technology systems in order to reduce costs and time of the taxpayers and the burden of tax administration.	2016		- A mechanism that can allow taxpayers to e-file their return and to process tax payment through information technology systems: • First step, at the Department of Large Taxpayer, • Next step, at district/provincial branches
5.1.1.4	**Auditing**			
1	Improve the existing risk assessment methods, including selection of large companies as priority for auditing and preparation of a circular to set a standard with a profile record that indicate taxpayers' risk behavior in order to use as a basis for taxpayers selection for audits,	2016	Regularly	- A circular on the standard risk assessment is prepared and implemented. - The existing risk assessment method is improved. - A profile record that indicates taxpayers' risk behavior is prepared.
2	Recruit additional auditors for both comprehensive and limited audits in order to meet the actual demand, the increase in the number of enterprises at the departments and district-provincial branches and improve the effectiveness of auditing,	Annually	Annually	- Number of additionally recruited auditors
3	Develop and implement incentive mechanism for auditors based on actual performance,	2015		- The incentive mechanism for auditors is developed and implemented.

No	Strategic Plan	Short-term	Medium-term	Indicators
4	Compile a guidebook on rights and obligations of taxpayers related to auditing,	2015		- A guidebook is compiled and put into use.
5	Design audit reports and record of feedback in order to verify past risk assessments to improve future risk assessment method and to assess taxpayers' risk behaviors (such as level of compliance, error, fraud, under reporting, serious tax evasion, etc.),	2016	Regularly	- Records of audit reports and feedback are designed and put into use.
6	Enforce submission of financial reports audited by external auditors in order to strengthen compliance and reduce GDT's auditing workloads,	2016	Regularly	- Large Taxpayer Department will start to enforce the submission of the externally audited financial reports from at least 30% of the enterprises that have filed tax return.
7	Continue to improve enterprise risk assessment method and develop a computerized risk assessment		3 years	- A computerized risk assessment is put into use.
8	Strengthen the collection of taxpayers' information through automatic sharing of information within the GDT and among relevant institutions,		3-4 years	- Taxpayers' information is collected through automatic sharing of information within the GDT and among relevant institutions.
9	Develop audit circular on important sectors including banks, construction, transportation and telecommunication in order to facilitate auditing activities and to enhance the effectiveness of audit function,		2016	- The circular is developed and implemented.
10	Develop circular on Transfer Pricing.		2017	- The circular is developed and implemented.

No	Strategic Plan	Short-term	Medium-term	Indicators
5.1.1.5	**Debt Collection and Appeals**			
1	Set target of debt collection for each department and district/provincial branch and strictly implement debt collection measures against large debtors who have not appealed and have incurred new debts,	2015	Every year	- Large debtors are selected, and debt collection measures against them are implemented. - Tax debts must be collected at least from 20% of total tax debts. 11.4% was collected in 2013 (Department of Large Tax collected 26.9 %.) of the total remaining tax debts after writing off the bad debts.
2	Implement stringent measures as set in tax regulations, which include confiscating or detaining debtors' properties and lodging lawsuit against debtors,	2016	Annually	- Confiscating or detaining debtors' properties and lodging lawsuit against debtors are enforced.
3	Compile a guidebook debt collection management,	2015		- Debt collection management guidebook is compiled and implemented.
4	Amend Prakas on rules and procedures for dealing with appeals.	2015		- Proclamation is prepared and implemented.
5.1.2	**Strengthening Support Functions**			
5.1.2.1	**Strengthening of Management and Organizational Structure**			
1	Set and publicize the GDT's vision to all tax officials and the public,	2015		- The GDT's vision is prepared and publicized.

No	Strategic Plan	Short-term	Medium-term	Indicators
2	Review operational plans of departments and district/provincial branches and identify priority goals with realistic timeframe,	2015		- Operational plans of departments and district and district/provincial branches is prepared.
3	Improve organizational structures of each GDT's department and establish additional offices for departments at the headquarter and provincial tax branches in order to enhance the effectiveness of operations management,	2015		-Prakas is prepared.
4	Continue to strengthen and revise roles and duties of the Office of Internal Audit in the Control Department,	2015		- Roles and duties are revised.
5	Create a permanent committee/working group for reform management, including experienced officials with appropriate incentives,	2014		- A permanent committee/ working group for reform management is created.
6	Create Office of Tax Crime Investigation in the Control Department and provide professional training to the officials in charge,	2016		- Tax Crime Investigation Office is created.
7	Set criteria for tax officials to qualify as judicial police.	2015		- Law on Taxation is amended.
8	Continue to improve the GDT's organizational structures and create new departments and offices to meet the work requirements of the GDT,		October 2018	- Some new structures and departments are created.
9	Formulate and implement institutional development plan (IDP).		October 2018	- Institutional development plan is formulated.
5.1.2.2	**Human resource management**			

No	Strategic Plan	Short-term	Medium-term	Indicators
1	Finalize human resource management strategy,	2016		- Human resource management strategy is prepared.
2	Rationalize performance-based incentives, continue capacity building for staff at all levels and improve curriculum of the National Tax School in order to respond to actual requirements,	2015		- Performance-based incentive is prepared. - Capacity building programs for staff at all levels - Curriculum of the National Tax School is improved.
3	Accelerate recruitment process to meet the need of each tax department,	Annually	Annually	- Recruitment is improved.
4	Finalize Terms of Reference (TOR) and responsibilities, and performance evaluation framework of tax officials based on hierarchy,	2014		- Terms of Reference (TOR) and responsibilities and evaluation framework are developed.
5	Finalize a draft on code of ethics of tax officials and develop guidelines on disciplines and punishment with rigorous procedures,	2015		- Code of ethics is approved. - Guidelines on disciplines and punishment are developed.
6	Develop standard guidelines for staff rotation,	2015		- Standard guidelines for staff rotation is developed.
7	Develop a budget plan for each tax department in order to receive adequate and timely budget for supporting tax collection activities and effective implementation on tax administration reform.	2015	Annually	- Budget plan is developed. - Budget for the GDT is provided sufficiently and timely.

No	Strategic Plan	Short-term	Medium-term	Indicators
5.1.2.3	**Information Technology**			
1	Recruit additional officials with IT skills for all GDT's departments to support IT modernization and automatization plan,	2016		- Additional officials with IT skills are recruited.
2	Complete the installment of WAN in accordance with technical standard so as to electronically transfer information from district/provincial tax branches to headquarter,	2015		- WAN is connected.
3	Develop and implement e-filing system,		2017	- Information technology is implemented: • First phase is at Department of Large Taxpayer. • Second phase is at district/provincial tax branches.
4	Develop and implement information technology strategic plan based on each phase of implementation, needs of users and demands for equipment as well as develop IT procurement plan based on the strategic plan for supporting activities concerning taxpayer service, return filing, auditing and debt collection management.		3-4 years	- Information technology strategic plan of modernization and tax automatization system is prepared. - Procurement plan in each phase is created.

Appendix 2: Important measures for the administrative reform of General Department of Customs and Excise

No	Strategic Plan	Short-term	Medium-term	Indicator
5.2.1	**Strengthening Clearance Processes**			
5.2.1.1	**Customs Declaration**			
a	**Manifest Control**			
1	Set a minimum information in the specific commercial invoice based on applicable customs regulations,	2015		- Instruction concerning minimum information required on receipts - Number of falsified documents
2	Strengthen automatic customs declaration system, inter-linked with the port community system,	2015		- Automatic customs declaration system is connected and fully implemented.
3	Strengthen the effectiveness of consistency check and compliance of export-import documents,	Regularly	Regularly	- Compliance level of export-import documents, - Number of falsified documents
4	Organize meeting between the GDCE and KAMSAB to prepare MoU on the management and exchange of pre-arrival information in a regular and timely manner,	2015		- The MoU with KAMSAB is prepared and implemented are prepared and signed.
5	Strengthen the mechanism to manage customs brokerage companies, warn and punish anyone who is not legally permitted to operate as customs brokers.	2015		- Develop profile of individual or companies who are the real owners of the export-import goods - Number of warning cases
6	Prepare and introduce procedures for pre-arrival customs clearance,		2015	- Implementation of pre-arrival customs clearance

No	Strategic Plan	Short-term	Medium-term	Indicator
7	Develop and implement a complete transit module in ASYCUDA,		2015	- Implementation of transit module in ASYCUDA
8	Finalize and implement the MoU between the GDCE and KAMSAB on the management and exchange of pre-arrival information in a regular and timely manner.		2015	- The MoU is prepared and implemented.
b	**Verification of Customs Valuation**			
1	Strengthen and conduct quarterly update of 3 chapters per quarter of the CIF price valuation database, consistent with current market price,	Quarterly	Quarterly	- Updated list of goods in the CIF price valuation database
2	Review the possibility of centralizing customs valuation of sensitive goods at customs headquarter to ensure effective revenue collection,	Every end of year	Every end of year	-List of sensitive goods that are centralized to the headquarter
3	Decentralize the customs valuation of non-sensitive goods to local offices after the price valuation database has been updated.	Every end of year	Every end of year	- List of non-sensitive goods that are decentralized to local offices
5.2.1.2	**Identification and Classification of Risks**			
a	**Risk Management**			
1	Update risk selection criteria and integrate it into CRMDS based on principle of professionalism,	Quarterly	Quarterly	-The level of update of risk selection criteria and CRMDS
2	Install CRMDS to all customs border checkpoints	2015		- CRMDS is installed in all customs border checkpoints.

No	Strategic Plan	Short-term	Medium-term	Indicator
3	Regularly observe and evaluate trader's risk criteria into Trader Credibility Management System (TCMS) and regularly update it,	at least once per year	at least once per year	- Customs risk indicator evaluation report and the level of update of TCMS
4	Revise the risk criteria of the list of prohibited and restricted (P&R) goods in the Sub-decree 209 ANK.PR dated 31st December 2007 on the application of the list of P&R.	2015		- Circular on the revised risk criteria is implemented.
b	**Intelligence**			
1	Collect data from all sources in order to effectively manage customs intelligence system,	2015		- Necessary data for customs intelligence is collected.
2	Increase number of intelligence officials at every customs branch/office and implement a fully functioning intelligence management system,	2015		- Number of intelligence officers - Full implementation of customs intelligence
3	Develop and implement a systematic action plan for intelligence management, inter-linked with relevant institutions.		2016	- Systematic action plan for intelligence management, inter-linked with relevant institutions, is implemented.
5.2.1.3	**Post Clearance Audit (PCA)**			
1	Expand the PCA unit from 6 to 9 teams,	2015		- The PCA unit is expanded to 9 teams.
2	Disseminate the mechanism of PCA to all relevant businessmen, especially related to the obligations to manage proper bookkeeping and documents regarding import and export,	Quarterly	Quarterly	- Workshop on PCA mechanism is organized.
3	Regularly enter PCA results to RM system,	2015		- PCA results are regularly entered to RM system.

No	Strategic Plan	Short-term	Medium-term	Indicator
4	Establish an automated risk information exchange channel among relevant customs offices from the results of PCA,		2015	- Automated risk information exchange channel is connected with customs offices from the results of PCA.
5	Maintain the independence and professionalism of PCA officials by avoiding many positions for each official at the clearance office.		2015	- Number of PCA officials with more than one positions
5.2.2	**Strengthening Cross-border Mechanism**			
5.2.2.1	**Smuggling**			
1	Continue to implement the 60-day operational plan and annual operational plan to reduce all forms of smuggling,	Regularly	Regularly	- Progress report on the 60-day operational plan is regularlyprepared and minitored.
2	Finalize and implement a medium-term anti-smuggling plan with clear indicators and timeframe,	2015		-Implementation of the medium-term anti-smuggling plan -Number of smuggling cases that are prevented and cracked down - Regular progress report on the implementation of the anti-smuggling action plan
3	Enhance officials' capacity to lodge criminal cases against smugglers,	Regularly	Regularly	- Number of criminal cases that are lodged
4	Strengthen the compliance on usage of customs tax exempted goods,	Regularly	Regularly	- Report on usage of customs tax exempted goods that is inconsistent with customs' targets
5	Introduce stickers for customs tax exempted imported	2015		- Stickers for customs tax exempted imported

No	Strategic Plan	Short-term	Medium-term	Indicator
	vehicles, establish vehicle database management system through cooperation with local authorities and verify illegal vehicle plates to reduce vehicle smuggling,			vehicles and vehicle database management system are introduced andimplemented.
6	Establish temporary bonded customs storage along the borders and urban areas to reduce dispersing smuggled goods and to reduce compliance burdens on traders,	2015		- Number of temporary bonded customs storage along the borders and urban areasare established.
7	Review the composition of the inter-ministerial committee on preventing and combating smuggling as directed by Order No. 02 of the RGC, dated19 December 2001.	2015		- New composition of the committee based on position**s** and duties
5.2.2.2	**Customs Valuation**			
1	Study and evaluate its capacity to fully enforce obligations on customs valuation of exported-imported goods under the customs tax exemption regime to reflect transactional values.	2015		- Customs valuation declaration under the customs tax exemption regime based on transactional value
5.2.3	**Strengthening Supporting Mechanism**			
5.2.3.1	**ASYCUDA**			
1	Install the ASYCUDA to relevant institutions at the border checkpoints and Excise Department.	2015		- Fully-functioned ASYCUDA is installed at relevant institutions at the border checkpoints and Excise department.
2	Connect the ASYCUDA to CRMDS, NSW and ASEAN Single Window,		2016	- ASYCUDA is fully connected to CRMDS, NSW and ASEAN Single Window
3	Extend the remaining functions of ASYCUDA.		2017	- The remaining ASYCUDA modules are extended and fully used.

No	Strategic Plan	Short-term	Medium-term	Indicator
5.2.3.2	**National Single Window (NSW)**			
1	Promote full implementation of the NSW in accordance with the regulations.	2016		- Full implementation of NSW in accordance with the regulations
2	Link the NSW with the ASEAN Single Window as a pilot project,		2016	- The connection of NSW with ASEAN Single Window
3	Strengthen effectiveness of works between government and traders, government and government, and traders and traders to support the long-term implementation of the NSW.		2017	- Progress report on the cooperation between government and traders, government and government, and traders and traders to support the long-term implementation of the NSW
5.2.3.3	**Customs-Private Sector Partnership Mechanism (CPPM)**			
1	Organize forum on CPPM to address concerns of the private sector,	Semi-annually	Semi-annually	- The number of feedback and recommendations from private sector
2	Implement incentive mechanisms for high compliance traders.	2014		- Monitor the compliance of the Authorized Economic Operator
5.2.3.4	**Institutional Development Plan (IDP)**			
1	Implement a short-term measure by preparing IDP with a long-term vision.	2015		- Institutional development plan based on long-term vision is prepared and finalized.
5.2.3.5	**Monitoring and Evaluation of Customs Reform Program**			
1	Strengthening the reform committee to monitor and evaluate reform progress and address challenges.	2015		- Progress report on work progress and challenges of the reform

No	Strategic Plan	Short-term	Medium-term	Indicator
5.2.3.6	**Human Resource Management**			
1	Avoid assigning multiple positions,	2015		- Number of customs officials with more than one position is reduced.
2	Strengthen the adherence to the code of conducts of customs officials,	Regularly	Regularly	- Monitoring report the code of conducts of customs officials - Number of recieved complaints
3	Strengthen capacity of customs officials through necessary training programs,	Regularly	Regularly	- Number of training - Number of trained officials
4	Increase the number of customs complaint boxes at main border checkpoints,	2015		- Number of established complaint boxes - Number of public relation officials at customs and excise offices - Number of received complaints or concerns/feedback of businessmen
5	Recruit public relation officials at customs offices.			- Number of public relation officials
5.2.3.7	**Internal Audit**			
1	Support a fully functioning Office of Internal Audit based on roles and duties stipulated in existing regulations through the allocation of appropriate resources,	2015		- A fully functioning Office of Internal Audit
2	Develop a regular internal audit reporting system for the Director General of the GDCE,	2015		- Internal audit report is regularly prepared.

No	Strategic Plan	Short-term	Medium-term	Indicator
3	Promote the cooperation between the Office of Internal Audit of the GDCE and other audit agencies.	Regularly	Regularly	- Report on cooperation between the Office of Internal Audit of the GDCE and other audit agencies

Appendix 3: Key measures to strengthening Non-Tax revenue administration

No	Measures	Short-term	Long-term	Indicators
5.3.1	**Context and Common Challenges of Non-Tax Revenue Collection**			
1	Assign an official from the management level (member of the RGC) of line ministries/institutions collecting non-tax revenue to be in charge of monitoring, recording, mobilizing revenue and taking measures in debt collection under the authority of the line ministries/institutions, (**Responsible by line ministries/institutions in charge of collecting non-tax revenue)**	2015		- One member of the RGC is assigned
2	Continue strengthening and promoting the use of receipts, **(Responsible by all ministries/institutions and offices in charge of collecting non-tax revenue)**	Every semester		- Mechanism to strengthen and promote the use of receipt is implemented
3	Continue promoting the use of banking system for revenue transfers, **(Responsible by all ministries/institutions and offices collecting non-tax revenue)**	2015		- Mechanism to promote banking system and report on its progress are used
4	Promote the transfer of non-tax revenue from line ministries/institutions to the single account of the GDNT in correct amount and in a timely manner, **(Responsible by all ministries/institutions and offices in charge of collecting non-tax revenue)**	2015		- Mechanism to promote the direct payment to the single account of the GDNT is implemented
5	Continue implementing and improving the standard of public services to make non-tax revenue payment more convenient, transparent, accountable and efficient, **(Responsible by all**	2015		- Actions to be taken and its progress report

	ministries/institutions and offices in charge of collecting non-tax revenue)			
6	Prepare and implement relevant rules and regulations as well as clearly define roles and duties between relevant line ministries/institutions and agencies in recording, monitoring and mobilizing non-tax revenue, **(Responsible by all ministries/institutions and offices in charge of collecting non-tax revenue)**	2015		- Regulations to authorize officials and their TOR in recording, monitoring and mobilizing revenue are prepared and implemented
7	The MEF shall take measures in pressing the line ministries/institutions and agencies at the national and sub-national administration levels to strengthen revenue and debt collection in accordance with the applicable regulations and guidelines, **(Responsible by the MEF)**	2015		- Measures and continuous evaluation to be taken
8	Line ministries/institutions and agencies at the national and sub-national administration levels in charge of non-tax revenue collection must submit contracts, agreements, licenses, logbooks and related documents to the MEF in order to set up database system for monitoring revenue payment and compliance of contracts' terms, agreements, licenses and logbooks as well as promote revenue payment and take necessary measures, **(Responsible by all ministries/institutions and offices in charge of collecting non-tax revenue)**	2015		- The report with the attachment of contracts, agreements, copies of license, logbooks and other documents
9	The MEF shall create a revenue reporting template for all line ministries/institutions and agencies at the national and sub-national administration levels in order for them to prepare and	2015		- Revenue reporting template is adopted and used.

	timely submit monthly report to the MEF, **(Responsible by the MEF)**			
10	Restructure the existing working groups and establish inter-ministerial working groups immediately for sectors in need such as civil aviation, tourism, telecommunication and others, to collect debts in accordance with procedures, guidelines and applicable regulations, **(Responsible by the MEF and ministries/institutions which debts exist)**	2015		- Working groups are restructured and established, - Amount of debts collected
11	Request the National Audit Authority (NAA) to audit state property management and non-tax revenue of line ministries/institutions and agencies at the national and sub-national administration levels, **(Responsible by the NAA)**	Annually		- Number of audit reports
12	The MEF shall prepare reports for the Prime Minister on the monitoring, recording and collecting revenue, or undeclared revenue by line ministries/ institutions and agencies at the national and sub-national administration levels, request incentive mechanism for well-performing institutions in revenue collection and take stringent actions on relevant institutions and officials with poor performance or un-declaring revenue in addition to applicable laws, **(Responsible by the MEF)**	Annually		- Reports to the Prime Minister
13	Line ministries/institutions and agencies at the national and sub-national administration levels responsible for debt collection must submit detailed reports periodically to the MEF on mechanisms and results of debt collection, **(Responsible by the MEF and ministries/institutions which debts exist)**	Every Semester		- Mechanisms to collect debts and amount of debts collected

14	Line ministries/institutions must cooperate with the MEF to warn, revoke licenses, cancel contracts or freeze bank accounts and take other measures in compliance with laws on companies that do not pay their debts, **(Responsible by all ministries/institutions and offices in charge of collecting non-tax revenue)**	Every semester		- Warning, license revoking, contract cancelling or bank account freezing mechanisms are enforced.
15	Delegate authorities and provide sufficient resources to officials to monitor and collect non-tax revenue, **(Responsible by line ministries/institutions and the MEF)**	2015		- Authorizing officials, and supplying sources and transportation
16	Study and review the preparation of incentive mechanisms for relevant officials to strengthen the effectiveness of revenue collection, **(Responsible by each ministry/institution)**	2015		- The incentive scheme is prepared and implemented
17	Review and revise agreements or contracts that do not reflect social progress or provide fairly shared benefits to the RGC,**(Responsible by each ministry/institution)**		2016	- Numbers of agreements, contracts that are reviewed and revised
18	Set up a database system by linking communication network between the GDSPNTR and revenue collectors of line ministries/institutions, as well as national and sub-national offices in order to record, monitor, and take timely and effective measures on revenue payments, **(Responsible by all ministries/institutions and offices in charge of collecting non-tax revenue)**		2017	- The database system is implemented
19	Prepare and implement skill development plan for each sector to the officials in charge of monitoring and collecting non-tax revenue, **(Responsible by each ministry/institution)**		2016	- Skill training plan is implemented

20	Establish a working group led by the MEF in the framework of Committee for Economic and Financial Policy in order to evaluate the effectiveness of collecting public service fees, taking into account Cambodia's competitiveness with other neighboring countries on service fees for business and trade activities by studying and revising public service fees and incentives for officials. **(Responsible by the MEF and all ministries/institutions and offices in charge of collecting non-tax revenue)**		2016	- Working group is established and outcome of the evaluation
5.3.2	**Civil Aviation Sector**			
1	Review the possibility of revising contracts with CATS and the SCA on revenue sharing by examining the actual amount of investment in infrastructural expansion and improvement and airport services in line with current economic growth and revenue from this sector, **(Responsible by the Office of Council of Ministers)**	2015		- Outcome of the study
2	Review the incentive scheme for the Secretariat for Civil Aviation. **(Responsible by the MEF and** Secretariat for Civil Aviation**)**		2016	- Outcome of the study
5.3.3	**Tourism Sector**			
1	Review the possibility to increase all tourism licensing fees, **(Responsible by the MEF and MoT)**	2015		- Outcome of the study on the possibility of increasing the fees
2	Establish IT system for licensing application, **(Responsible by the MoT)**	2015		- The IT is implemented.

3	Establish an inter-ministerial working group to examine, monitor and identify other sources of revenue from this sector, **(Responsible by the MoT)**	2015		- Working group is established and the outcome
4	Review the possibility to increase entrance fees to tourism resorts, **(Responsible by the MoT)**	2015		- Result on the possibility of increasing the fee
5	Require the classification of hotels before licensing renewal, **(Responsible by the MoT)**	2015		- The regulation is put into affective
6	Enhance the effectiveness of working group on the evaluation and classification of hotels, led by the Ministry of Tourism, **(Responsible by the MoT and relevant ministries/institutions)**	2015		- Mechanism to promote the effectiveness is adopted.
7	Take measures to increase revenue from concession contract from tourism resorts as well as review the possibility to revise contracts, **(Responsible by the MoT and relevant ministries/institutions)**		2016	- Measures to increase the revenue and actual increase in revenue
8	Establish a classification system for all tourism services. **(Responsible by the MoT)**		2016	- The classification system is put into use
5.3.4	**Revenue from Visa and Related Fees**			
1	Continue to require officials at all international checkpoints, consuls and embassies to submit monthly, quarterly, semesterly and annual reports on visa and related fees, the numbers of visas and receipts, **(Responsible by the MoI and MFAIC)**	Monthly, quarterly, semesterly, and annually		- Measures taken and the outcome
2	The MoI and MFAIC shall prepare 3 reports— visa and related fees, the numbers of visas and receipts— that are corresponding with each other and provide a basis for monitoring and evaluation,	Every quarter		- 3 different reports on visa and related fees, the numbers of visas and receipts

	(Responsible by the MoI and MFAIC)			
3	Visa issuance offices shall keep all types of receipts records and notes for verification, **(Responsible by the MoI and MFAIC)**	Every quarter		- Keeping all types of receipts records and notes for verification
4	Promote the use of recording procedures and strengthen the monitoring of visa stickers inventory and receipts inventory in accordance with stock inventory keeping-rule.**(Responsible by MoI and MFAIC)**	2015		- Mechanisms to promote the use of procedure
5	Prepare circular on the management of visa and related fees and visa slips in order to verify the number of issued visas with the revenue earned, **(Responsible by the MoI and MFAIC)**		2017	- The circular is implemented
6	Prepare and impose travelling fees step-by-step, by beginning with air-travelling in order to offset the forgone revenues from visa exemptions. (**Responsible by the MFAIC**)		2016	- The travelling fees are imposed
5.3.5	**Post and Telecommunication Sector**			
1	Promote and strengthen the effectiveness of inter-ministerial working group to collect debts, **(Responsible by line Ministries/Institutions in charge of collecting non-tax revenue)**	2015		- Amount of debts collected
2	Expedite the establishment and operation of Data Monitoring Centre (DMC), **(Responsible by the MPTC)**	2015		- Data Monitoring Centre is operated
3	Withdraw or cancel inactive licenses or contracts, **(Responsible by the MPTC)**	2015		- Number of licenses provoked or contracts cancelled
4	Expedite the drafting and implementation of Law on	2016		- Law on Telecommunication is put into

	Telecommunications, **(Responsible by the MPTC)**			effect
5	Prepare and amend Law on Post, **(Responsible by the MPTC)**		2016	- Amendment and its outcome
6	Prepare and implement the Post and Telecommunications Policy, National Broadband Policy and Information Technology and Post Policy. **(Responsible by the MPTC)**		2017	- The Post and Telecommunication policy, National Broadband Policy and Information Technology and Post Policy are put into implementation
5.3.6	**Revenue from Economic Land Concession and Forestry**			
1	The MEF, the MAFF and the MoE shall prepare and implement a joint Prakas on the purchase and rights transferring of ELCs, a joint Prakas on procedures for paying the rental fee of ELCs and a joint Prakas on establishing mechanisms and procedures in managing and collecting revenue from sales of timber and non-timber products on ELCs, sites of hydropower dam, irrigation zone and other sources, **(Responsible by the MEF, MAFF and MoE)**	2015		- The joint Prakas of the MEF, MAFF and MoE are issued and implemented.
2	The MAFF and the MoE shall require the concessionaires to pay the rental fee of USD5 per hectare per year starting from the sixth year, pursuant to the RGC's guidelines, **(Responsible by the MEF, MAFF and MoE)**	2015		- Amount of rental fee received
3	The MAFF and the MoE shall prepare ELCs database system in order to manage and monitor the compliance to contracts' terms including the rental payment to the state, **(Responsible by the MAFF and MoE)**	2015		- ELC's database system is developed and the outcome of its management and monitoring

4	Prepare and charge fees on sales or transfer of rights of ELCs and impose stamp tax in accordance with applicable laws **(Responsible by the MAFF and MoE)**	2015		- Fees on sales or transfer is imposed.
5	Review ELCs pricing policy with the objectives of attracting investors as well as attaining appropriate benefits to the state, **(Responsible by the MAFF and MoE)**		2016	- Outcome of the Policy Study on ELC's Pricing
6	The MAFF and the MoE shall register all ELCs to be consistent with the state-land registration. **(Responsible by MAFF and MoE)**		2017	- Prepare and finalize the registration of ELCs.
5.3.7	**Lease of Islands and Beaches for Tourism Boost**			-
1	Prepare and implement a joint Prakas issued by the MEF and the CDC on management of revenue from contracts of leasing islands, coastal areas and resorts in order to thoroughly monitor compliance to contracts' terms and required payment, and enforce stringent measures to collect debts, impose fines or annul contracts with the deposit taken by the state in certain cases so as to encourage the implementation of development projects of islands and beaches in order to diversify tourism sites, **(Responsible by the MEF and CDC)**	**2015**		- The joint Prakas of MEF and CDC on issued CDC on management of revenue from contracts of leasing islands, coastal areas and resorts is implemented.
2	Prepare and impose fees in sales or transfer of rights of the leasing contracts as well as charge stamp tax. **(Responsible by the MEF and CDC)**	**2016**		- Impose fees and payment in sales or transfer of rights of the leasing contracts
5.3.8	**Revenue from Public Enterprises**			-

1.	Public enterprises shall prepare a well-defined long-term plan and development policy, **(Responsible by each enterprise)**	2015		- Well-defined long-term development policy and plan
2	Strengthen the roles and duties of the MEF representatives in the Board of Directors, and the state controllers of each public enterprise in providing information and detailed reports on financial performance, management of the enterprises and other important issues to the MEF for timely measures, **(Responsible by the MEF and CDC)**	2015		- Measure on Strengthening the roles and duties of the MEF representatives in the Board of Directors
3	Organize at least 2 meetings annually between the MEF representative members of the Board of Directors, state controllers, management of the enterprises and the MEF top management, **(Responsible by the MEF)**	**Every semester**		- Outcome of the meetings between MEF representative member of the board of directors, government state controller, management of the enterprise, and MEF top management, and other measures.
4	All public enterprises are obliged to pay annual dividend to the state budget in accordance to the applicable rules and regulations, **(Responsible by each enterprise)**	**Annually**		- The amount of dividend payment to state budget in accordance with the applicable rules and regulations.
5	Public enterprises need to be fully audited from the private audit firm recognized by the rules and regulations of Cambodia as well as approved by the Minister of Economy and Finance, **(Responsible by each enterprise)**	**Annually**		- Financial audit report of each enterprise
6	Strengthen monitoring business operation, annual investment expenditure and verification of the change in inventories conducted by the MEF. If necessary, the monitoring and evaluation shall be carried out by the joint taskforce comprising of the GDT, General Inspectorate (GI), GDSPNT and technical	**Annually**		- Mechanism of strengthening the monitoring on business operation and annual investment expenditure.

	supervision ministries, **(Responsible by the MEF and relevant technical supervising ministry)**			
7	Review the possibility of improving the rules and regulations on the management of the public enterprises, **(Responsible by the MEF and relevant technical supervising ministry)**		**2017**	- Outcome of the study and review of rules and regulations related to public enterprise management.
8	The MEF shall study and lead the preparation of expenditure standard for each enterprise. In case of violation against the established standard, those enterprises are subject to legal measures and procedures in force. **(Responsible by the MEF)**		**2017**	- Expenditure standard of each enterprise is prepared and implemented.
5.3.9	**Public Administration Institutions**			
1	Strengthen the roles and duties of the MEF representatives in the Board of Directors and the state controllers of each institution in providing information and detailed reports on financial performance, management of the enterprises and other important issues to the MEF for timely measures, **(Responsible by the MEF)**	**2015**		- Measures on strengthening roles and duties of MEF representative in the Board of Directors
2	Organize at least 2 meetings annually between the MEF representative members of the Board of Directors, state controllers, management of the enterprises and the MEF top management, **(Responsible by the MEF)**	**Every semester**		- Outcome of the meetings between MEF representative member of the board of directors, government state controller, management of the enterprise, and MEF top management, and other measures.
3	Review the possibility to reduce subsidy from the RGC for administrative operation such as water bills, garbage charges, electricity bills and phone bills together with reduction on ineffective expenditures on social and economic investment,	**2015**		- Outcome of the review and the amount of reduction in government subsidy.

	(Responsible by the MEF)			
4	Monitor regularly the revenue and expenditure operation, **(Responsible by the MEF)**	**Every semester**		- Outcome of monitoring, and measures have been imposed.
5	Strengthen the annual budget planning for revenue, expenditure and institution development plan. **(Responsible by the MEF)**	**Annually**		- Measures on strengthening the annual budget planning.
6	Thoroughly review and amend legal rules and regulations related to public administration institutions to ensure the development of public administration institutions and Cambodia's economy are aligned, as well as review the possibility of transferring surplus of those institutions with budget surplus to state budget, (**Responsible by the MEF and relevant technical supervising ministry)**		**2016**	- Outcome of the review and amending legal rules and regulations related public administration institutions.
7	Review the possibility of transforming qualified public administration institutions to public enterprises, (**Responsible by the MEF and relevant technical supervising ministry)**		**2017**	- The number of public administration institutions that are transformed to public enterprise.
8	Review the possibility of transforming qualified state entities to public administration institutions. (**Responsible by relevant technical supervising ministry)**		**2016**	- Outcome of the study on the possibility to transform state entities to public administration institutions
5.3.10	**Natural Resources**			-

1	The MME shall prepare database and a system to monitor financial obligations on contracts and licenses issued by the ministry to private legal entities and natural persons, specifying the status of the contracts or licenses that are issued, being implemented and not in operation, and the implementation of relevant contracts and license, **(Responsible by the MME)**	**2016**		- Implementation of the database and monitoring system
2	Every approval of contacts and licenses by the MME shall have the MEF's involvement to be considered as valid, according to the Article 17 of the Law on Public Finance System, **(Responsible by the MEF and MME)**	**2015**		- The number of contracts and agreements that were completed without involvement of MEF
3	All concerned ministries-institutions shall disseminate information to private natural persons and legal entities on relevant laws and regulations in force and obligations in royalty payments and other revenue payments to the state, **(Responsible by relevant ministries/institutions and entities)**	**2015**		- Dissemination of information
4	Strengthen effective collaboration between the MLMUPC, MME , MWRM, National Bank of Cambodia (MBC), commercial banks, all levels of local authorities, and technical departments under the MEF to set and expedite royalty payments for mine, sand and soil businesses based on market approach, **(Responsible by the MLMUPC, MME, MWRM, NBC, commercial banks, all levels of territory authority and MEF)**	**2015**		- Measures on strengthening collaboration and report on strengthened cooperation
5	Set up and implement transitional fine mechanism for crimes in mining sector, **(Responsible by the MME)**	**2015**		- The Implementation of mechanism and legal procedure against illegal activities in mining resources sector

6	Review and revise license fees and royalty charges for the exploration and business of all kinds of mines, **(Responsible by the MME)**		**2016**	- Amendment of License and royalty fees
7	Study and define mine pricing index to evaluate the royalties from mining. **(Responsible by the MME)**		**2017**	- Completion of mine pricing index for evaluation royalty fees.
5.3.11	**Revenue from Privatization (Sale-Transfer) and Lease of State Properties**			-
1	The MEF needs to check the terms and conditions of leasing contracts of state properties and related rules and regulations with relevant ministries-institutions to review the fees with lessees based on current market situation and mutual consensus, and to ensure mutual benefits, **(Responsible by the MEF)**	**2015**		- Outcome of the review of leasing fees
2	Promote the issuance of ownership titles of all state properties, especially the properties leased to private counterparts, **(Responsible by the MEF)**	**2015**		- Measures on promoting the issuance of ownership titles of all state properties, especially the properties leased to private parties.
3	Review and amend contracts which do not provide proper benefits to the state, **(Responsible by the MEF)**		**2016**	- The number of contracts that have been reviewed and amended.
4	Prepare registration of all state properties, **(Responsible by the MEF)**		**2017**	- Registration of all state properties.
5	Promote the issuance of ownership titles of all state properties owned by national and sub national institutions and public entities, **(Responsible by the MLMUPC and relevant**		**2017**	- Measures on promoting issuing titles of all state properties.

	ministries/institutions)			
6	Promote registration of inventories of state properties, including those confiscated from offences, completion of projects of national and sub-national institutions and public entities and the donation from developing partners, non-governmental organizations (NGOs) and donors. **(Responsible by the MLMUPC and relevant ministries/institutions)**		**2017**	- Mechanisms on promoting registering inventories of all state properties.
7	Promote land appraisal of national and sub-national institutions and public legal entities that are excluded from property tax list set by the GDT, **(Responsible by the MEF)**		**2016**	- Measures on promoting land appraisal of national and sub-national institutions and public entities.
8	Promote the registration inventories of lands that are settled through resettlement policy. **(Responsible by the MEF)**		**2016**	- Mechanisms on promoting registering inventories of lands that are settle through resettlement policy.
5.3.12	**Revenue from Casinos**			-
1	Mobilize revenue from all gambling businesses to its full that are permitted by the RGC, **(Responsible by the MEF)**	**2015**		- Measures on mobilizing revenues in this sector.
2	Establish mechanisms to prevent and prohibit all kinds of gambling activities that are operating without licenses from the MEF, **(Responsible by the MEF and MoI)**	**2015**		- Mechanisms to prevent and absolute prohibit all kinds gambling that are operating without license from MEF.
3	Strengthen and continue collecting revenue based on estimated regime until Law on Casino Control is adopted and implemented, **(Responsible by the MEF)**	**2015**		- Imposition of measures to strengthen the effectiveness.

4	Expedite the drafting progress and approval of the Law on Casino Control. **(Responsible by the MEF)**		**2016**	- Measures on expediting the drafting and approval of the Law on Casino Control.
5.3.13	**Revenue from the Issuance of Certificates of Origin of Goods (C/O)**			
1	Promote effective implementation of joint declaration between the MEF and MOC by providing better and more transparent public services in order to build confidence and convenience for service recipients, **(Responsible by the MEF)**	**2015**		- Measures on promoting effective implementation of joint declaration between MEF and MOC.
2	Promote bookkeeping in accordance with guidelines from the MEF to reflect the actual situation of revenue collection, so that it can be used as a basis for monitoring and evaluation of its performance, **(Responsible by the MEF)**	**2015**		- Measures on promoting the record of bookkeeping in accordance with the guidelines from the MEF to reflect the actual situation of revenue collection, so that it can be used as a basis for monitoring and evaluation on its performance.
3	Promote better services provided to factory/enterprise owners in order to improve the production process with high quantity. **(Responsible by the MEF and MoIH)**	**2015**		- -Mechanisms on promoting better services to factory-enterprise owners in order to streamline the production process with high production.
5.3.14	**Revenue from Concessions of State Public Properties**			-
1	Strengthen the compliance with the regulations on financial procedure for granting investment contracts and other concession contracts as well as impose punishment on those agencies that do not follow the procedures in force, **(Responsible by the MEF)**	**2015**		- Measures on strengthening the compliance on financial procedures.

2	The MEF shall assign specialized official to inspect the implementation of logbooks and all kinds of concession contracts of state properties at least 2 times per year in order to take timely measures, **(Responsible by the MEF)**	**Every semester**		- The assignment of specialized official to inspect the implementation of logbooks and all kinds of state properties concessions contracts at least 2 times per year in order to take timely measures.
3	Municipal/provincial authorities shall lead and cooperate with provincial departments of economy and finance in ***developing*** effective mechanism for regularly inspecting the implementation of concessions' logbooks under their responsibilities, **(Responsible by the MoI and MEF)**	**2015**		- Effective mechanisms for regular checking on the implementation of concessions' logbooks under their responsibilities.
4	Prepare and implement phase-by-phase warning mechanisms and revoke of business licenses or nullify contracts on market fees in case of noncompliance with financial procedures. **(Responsible by the MEF)**	**2015**		- Phase-by-phase warning mechanisms and revocation of business licenses or nullify contracts on market fees in case of incompliance with financial rules and regulations.
5	The MEF shall strengthen the plan on annual revenue from concessions of state public properties by cooperating with provincial authorities and municipal/provincial departments of economy and finance. **(Responsible by the MEF)**	**2015**		- Imposition of measures on strengthening annual revenue planning from state public properties concessions by cooperating with provincial authorities and provincial department of economy and finance.

Appendix 4: Important measures to improve the revenue policy and institutional framework

No	Strategic Plan	Short-Term	Medium-Term	Medium-Term
6.1	**Improving Tax and Non-tax Revenue System**			
1	Study and prepare a blueprint for the improvement of tax and non-tax revenue system. **(Responsible by the MEF)**		4 years	- Blueprint on the Improving Tax and Non-tax System is prepared
6.2	**Strenthening institutional mechanisms**			
1	Resume regular meeting of the working group from the GDT and GDCE by assigning one senior official from the MEF to lead the meeting, strengthen its performance as well as monitor and evaluate the cooperation of their cooperation, **(Responsible by the MEF)**	2015	Regularly	- The meeting and collaboration progress report on the process of information sharing between both General Department
2	Concession contracts, procurement contracts, other contracts, agreements, real estate registration data, vehicle registration data or approval letters and other documents related to the tax obligations and duties and public financial obligations of the state between tax payers and the RGC must be given to the GDT and GDCE, **(Responsible by the MEF)**	2015		- Concession contract, procurement contract and other contracts, data on real estate registration, data on vehicle registration or permission letter, as well as other documents related to the tax obligation and financial obligation of the state between tax payers with the RGC are given to GDT and GDCE.
3	Establish a working group to study terms and conditions, scope and needs of information between the GDCE and GDT, and share it directly through IT system, **(Responsible by the MEF)**	2015		- Establish a working group to study terms and conditions, scope and needs of information between the GDCE and GDT, and share it directly through IT

				system that is to be established.
4	Create and launch fiscal policy committee in order to streamline export-import tax structure and tax base by taking into account of economic and social aspects based on the principle of equity, social justice, economic efficiency, transparency and accountability, **(Responsible by the MEF)**	2015		- Policy and fiscal committee is established and reactivated.
5	Prepare sub-decree on Tax Arbitration Committee to resolve tax disputes. **(Responsible by the MEF)**	2016		- Sub-degree is prepared and implemented
6.3	**Improving tax and non-tax revenue policies and implementation frameworks**			
6.3.1	Excise Tax on Some Types of Goods and Services			
1	Continue assigning tax officers to conduct inspections at domestic factories such as wines, beers, cigarettes and all kinds of beverages etc... which are excisable, **(Responsible by the MEF)**	2016		- Taxation staff are assigned to stand by at the local factories are subjected to pay excise tax
2	Prepare Prakas on the requirement of the use of excise stickers on excisable goods, **(Responsible by the MEF)**	2015		- Prakas is prepared and implemented
3	Review the possibility to further increase excise tax on electronic and plastic products, **(Responsible by the MEF)**	2015		- Report on the possibility by increasing excise tax on electronic item's report
4	Review the lists of excisable imported goods,**(Responsible**		2-4 years	- Sub Decree and Promulgation are

	by the MEF)			changed and set to implement
5	Increase excise tax rate and revise excise tax base on goods that are harmful to health such as cigarettes, wine, beers and alcoholic drinks, **(Responsible by the MEF)**		2-4 years	- Sub Decree and Promulgation are changed and set to implement
6	Study the possibility to change from Ad valorem tax to unit tax with excise tax payments from a minimum level, **(Responsible by the MEF)**		3 years	- A new excise tax base being studied
7	Draft Law on Excise Tax. **(Responsible by the MEF)**		3-4 years	- Draft law
6.3.2	**Value Added Tax (VAT)**			
1	Amend the sub-decree on VAT by lowering annual turnover threshold for enterprises under self-assessment regime in order to expand tax base and increase revenue from VAT and other taxes, **(Responsible by the MEF)**	2016		- Sub-Decree on value-added tax is amended and set to implement.
2	Abolish VAT exemption on sectors which are not stated in the Law on Taxation, **(Responsible by the MEF)**		3-4 years	- VAT exemption on some fields that are not included in tax law is ended
3	Establish VAT refund mechanism for purchases of goods exported by foreigners at the international airports. **(Responsible by the MEF)**		3-4 years	- A VAT refund mechanism is prepared and set to implement.
6.3.3	Estimated Regime			
1	Prepare regulations for estimated regime taxpayers to pay patent tax annually, and turnover tax and profit tax bi-annually or annually to reduce the burden of the taxpayers and transfer tax officers to tax offices which yield more tax	2016		- Regulation for tax payer in estimated tax regime which requires paying on tax patent biannually or annually is prepared and set to implement.

	revenue, **(Responsible by the MEF)**			
2	Conduct campaigns to transfer estimated regime taxpayers whose turnover meets the condition of self-assessment regime to self-assessment regime, **(Responsible by the MEF)**	2016		- A campaign transferring taxpayers in estimated regime self-assessment regime is implemented throughout the country
3	Prepare and implement cash-accounting real regime that requires the taxpayers to simplify their bookkeeping. **(Responsible by the MEF)**	2016		- Keeping record with a simplified form is prepared and set to implement.
6.3.4	**Review on Tax Incentive Scheme for Investment Projects**			
1	Review tax incentives in the law and regulations related to investment by introducing tax incentive in the amendment of the law and regulations on taxation. **(Responsible by the MEF)**		3-4 years	- Law and Sub-Decree are amended
6.3.5	**International Agreements**			
1	Promote inter-ministerial working group led by the MEF and technical working group to negotiate with partner countries, **(Responsible by the MEF)**	2015		- The inter ministry work group is established. - The technical level work group is established
2	Select countries for initial and subsequent negotiations especially ASEAN countries and countries which have significant investment in Cambodia, **(Responsible by the MEF)**	2015		- Negotiation program with partner country is prepared

3	Prepare related regulations to amend regulations with loopholes, **(Responsible by the MEF)**	2016	2017	- Some announcement is prepared - A provision law is enacted
4	Increase the number of officials and continue to train them to be prepared for negotiation on DTAs, **(Responsible by the MEF)**	2015		- Number of officers increased and trained
5	Continue negotiating and signing agreement on DTAs with ASEAN countries and other countries, **(Responsible by the MEF)**		3-4 years	- The negotiations among ASEAN countries are completed
6	Continue strengthening institutional capacity and human resource for this work. **(Responsible by the MEF)**	Regularly	Regulary	- Number of traning programs
6.3.6	**Property Tax**			
1	Audit and comply with the law for property owners who declare tax inaccurately and who have not yet filed their property tax return, **(Responsible by the MEF)**	2015	Annually	- Audit on property tax is implemented
2	Strengthen cooperation with the relevant ministries-institutions, especially with local authorities on collecting property tax, **(Responsible by the MEF)**	Regularly		- Report on cooperations
3	Improve services and make them convenient for taxpayers, especially by preparing mechanism that allows them to pay their property tax through banking and electronic system, **(Responsible by the MEF)**	2015		- Taxpaying mechanisms through banking and electronic system is prepared and implemented
4	Increase coverage area of property tax collection to district towns, urban areas and development areas along the border and subsequently nationwide, **(Responsible by the MEF)**		2-4 years	- The coverage of collecting Property Tax is expanded to districts, some of important town and development zone

				along border
5	Improve legal documents related to property tax collection.		2 years	- Prakas on the property tax collection is revised and implemented
6.3.7	**Personal Income Tax**			
1	A study on the preparation of regulations and supporting mechanisms for implementing a comprehensive personal income tax. **(Responsible by the MEF)**		3 years	- Report on the result of the study is finished
6.3.8	**Tax on the Operations of Petroleum and Mineral Resources**			
1	Expedite the preparation of the draft on tax regulations on petroleum and mineral resource operations, **(Responsible by MEF)**	2015		- A draft law on tax on gasoline operation is opened a plenary meeting of cabinet
2	Prepare legal documents related to petroleum and mineral resource operations, **(Responsible by the MEF)**	2016		- Provisions on oil and mining operation are prepared at Taxation General Department level
6.3.9	**Amendment of Law and Regulations on Taxation**			
1	Identifying the loopholes and discrepancies in the tax system and the tax regulations, and prepare to amend the relevant tax regulations as required. **(Responsible by the MEF)**		2-4 years	- An amendment law draft and tax provision are enacted such as: • Life insurance enterprise • Change patent tax • Change slaughter tax • Change stamp fiscal tax • Change tax on unused land • Preparing an announcement on a

				capital profit tax • Preparing an announcement to define technical word which is lack of meaning such as: turnover, royalty, management service, technical service and consultation service. • Preparing an announcement financial leasing agreement. • Preparing an announcement standard service for financial sector. Etc.
6.3.10	**Customs Tax Revenue Losses from the Implementation of ASEAN Free Trade Agreements**			
1	Evaluate every quarter the loss of customs tax revenue resulted from the implementation of free trade agreement with ASEAN and other partner countries and propose appropriate measures. **(Responsible by the MEF)**	Quarterly		- Revenue loss's report is prepared every month
6.3.11	**Preparation and Introduction of the Law on the Management of State Property and Law on the Management of Non-Tax Revenue**			
1	Draft and adopt Law on the Management of State Properties, **(Responsible by the MEF)**		2016	- Non-tax revenue management law
2	Draft and adopt Law on the Management of Non-Tax Revenue, **(Responsible by the MEF)**		2016	- Non-tax revenue management law
3	Relevant ministries and institutions must conduct researches and propose amendments to laws and regulations related to		2016	- Proposal on law amendment, provision or contract change, that do not reflect the

	the management of all types of state's resources such as: Mining Law, Petroleum Law, Concession Law etc... in order to ensure consistency and complementarity with the Law on Taxation, the Law on the Management of State Properties and the Law on the Management of Non-Tax Revenue. **(Responsible by the MEF).**			social development or do not provide suitable benefit to the state, are prepared.