

GDT mulls blockchain technology for tax collection

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GDT Director General Kong Vibol addressing the 'Tax Updates' forum, organised by the American Chamber of Commerce (AmCham) at Oakwood Premier Phnom Penh. KT/Pierre Roussel

The General Department of Taxation (GDT) of the Ministry of Economy and Finance is planning to adopt blockchain technology to spruce up the tax collection system further in Cambodia, according to its Director General Kong Vibol, yesterday.

Disclosing this at the 'Tax Updates' forum, organised by the American Chamber of Commerce (AmCham) in Cambodia at Oakwood Premier Phnom Penh, Vibol said that a study on introducing the technology would be made after the general elections.

Blockchain technology could bring more transparency to the system but it requires good infrastructure facilities, especially in telecom services, and one needs to test the viability of the technology before the introduction, the GDT Director General noted.

He said the GDT collected over \$1.8 billion worth tax income in the first five months of this year, about 51 percent of the annual budget target of \$3.57 billion. For 2024, GDT would likely have another stiff target of \$4.16 billion.

According to Vibol, GDT was asked to collect 110 percent of the target this year but considering the slowdown in many sectors such as real estate and construction, it was found to be a tough

task as it proposed to collect another \$300 million as taxes. Subsequently, the expected tax collection was brought down to 105 percent of the set target.

The economic issues, Vibol reminded, were largely a fallout of the global economic situation, especially the prolonged Russia-Ukraine war. "The budget target for GDT remained unchanged even after the GDP growth forecast of the country for this year was brought down from 6.6 percent to 5.6 percent, a significant one percent change," he said.

According to Vibol, the new Tax Law, promulgated by the government last month does not add any new taxes or propose to increase existing tax rates. "It, in fact, provides more incentives for businesses in synchronisation with the Investment Law. It is more of an improvement of the old law. There are no drastic changes," he said.

He also reiterated that GDT encourages voluntary compliance on the part of people in paying taxes instead of forced compliance. In his assessment, more than 50 percent of the taxpayers are happy with the tax collection in Cambodia though it is still a far cry from over 90 percent found in a survey in Sweden.

Referring to the advances made in the tax collection mechanism, the Director General said over the years it was simplified to the extent that taxes could now be paid online in a few minutes' work.

He added that GDT expects to collect \$80 to \$90 million as taxes from e-commerce, which is a growing sector in Cambodia as elsewhere across the world.

The GDT Director General said revenue collection suffered in the past during election years in Cambodia as people were not sure about the future, but from the 2013 election this has changed as the revenue collection went to surplus.

"We can also see a growing confidence in the people for the Cambodian People's Party (CPP) leadership in ensuring the prosperity of the country. Political stability and CPP's continued rule help businesses also as there won't be any changes in the policies," Vibol noted, adding that with a sweeping victory, CPP is all set to retain power after the July polls.

In his opening remarks, Devin Barta, President of AmCham, noted that the new tax law has brought more transparency and predictability to the tax collection mechanism and congratulated the government and the National Assembly for enacting the legislation.

Tan Khee Meng, President of the Malaysian Business Chamber of Cambodia (MBCC), who was one of the panel speakers at the forum told *Khmer Times* that the new Law on Taxation is a major milestone for tax reform and modernisation in Cambodia.

"It consolidates decades of tax rules and regulations into a single, comprehensive tax law, providing much-needed clarity and transparency for taxpayers. The new law also incorporates provisions of tax incentives granted under the Law on Investment and addresses previously uncleared areas of tax policies," Meng said.

Casey Barnett, President of CamEd Business School, was the moderator for the panel discussion.

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