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Newsflash

The new trend of Vietnamese tax authorities in disclosing tax inspection results of the Enterprises to the public

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In recent tax inspections, the tax authorities gradually tend to disclose the tax inspection results of the Enterprise on a wide scale to mass media. This public disclosure carries a positive impact on the transparency of information derived from tax inspections. However, from taxpayers' perspective, the disclosure of tax inspection results might bring unexpected impacts on the production and business operations of their companies.

In this Newsletter, Grant Thornton (Vietnam) would like to provide the legal basis on publishing tax inspection results disclosed by the General Department of Taxation/ Ministry of Finance and our corresponding recommendations, as follows:

Notable points of the legal regulations on publishing tax inspection results of the enterprises

According to Law on Inspection No. 56/2010/QH12 dated 15 November 2010 issued by the National Assembly providing guidance and regulations on the public notification of inspection results are as follows:

1. Inspection results are generally required to be disclosed within 10 days from the signing date of the tax inspection conclusion minute. Tax inspection decision maker is responsible to disclose to the public the inspection results, unless the regulations stipulate otherwise.
2. Forms of publishing tax inspection results include:
 - Announcement at a meeting with participants comprises of tax inspection decision maker, the inspection team, company being subject to the tax inspection, relevant agencies, organisations and individual or the conference organisers;
 - **Announcement via mass media channels;**
 - Announcements on websites of state inspection authorities, agencies designated to carry out the inspection or the regulatory bodies assigned by the Government;
 - **Listed at the working offices of companies or organisations subject to the inspection;**
 - Providing the results as per the request of the relevant regulatory bodies, organisations or individuals.

The impact on the Enterprises when the tax inspection results are publicly disclosed via mass media channels.

1. Tax amendments and tax violations (if any) will be widely published in the newspaper.
2. Negative responses can arise from end consumers when using products of Enterprises subject to tax inspection result with multiple violations, particularly with regard to sensitive issues such as transfer pricing abuse whereas source of information may has not yet been fully disclosed.
3. The Enterprise's reputation, brand value which have been established throughout a long period can be significantly affected.
4. The amount of time involved in settling, rectifying the wrongful information being disclosed (if any).

Recommendations by Grant Thornton Vietnam

In order to minimise the negative impacts on the business activities of the Enterprises, Grant Thornton Vietnam would like to recommend that the Enterprises should:

1. Periodically compare and crosscheck the data with suppliers, customers and review the compliance status of internal control procedures to ensure that the procedures are strictly adhered to and fully followed the management objectives currently in place.
2. Frequently request the independent review of dossiers, invoices, documents of business transactions in order to ensure the tax obligations requirements are satisfied as well as any potential risks have been properly identified and dealt with (if any)
3. Continuously maintain contemporaneous transfer pricing documentation which substantiates the Enterprises' pricing position in order to mitigate exposures to transfer pricing risks and ensure compliance to current transfer pricing regulations. Tax authorities are specifically steering to focus on foreign invested enterprises that exhibits any transfer pricing issues.
4. Strictly adhere to the provisions of the Law in Taxation, Accounting and other relevant regulations such as Law on Enterprises, Law on Investment.

Please contact our professional tax advisors should you need further assistance.



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If you have any question or required further information relating to this tax alert, please contact our professional tax advisors.

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