



Notable points on risks of Corporate Income Tax and Transfer Pricing for Enterprises with fiscal year ending 31 December

December 2015

Risks of Corporate Income Tax (“CIT”)

Recently, many Enterprises have received notifications of outstanding tax liabilities, fines and associated penalties issued by the Division of Tax Debt Management and Enforcement of the local tax authority.

In some cases, tax debts were arisen due to error of the tax authority’s system during the data conversion which resulted in the incorrect records of tax balances.

In some other cases, tax debts could arise if the total provisional CIT payment made during a tax period was less than the annual CIT finalised amount by 20% or more, consequently penalties will be imposed on these differences.

As per Grant Thornton Vietnam’s observation, only a few Enterprises made CIT planning for its whole fiscal year and they did not dedicate sufficient time and attention to prepare the reasonable computation of quarterly CIT payable amount, but only relied on adjustments on CIT finalisation at the year end. As mentioned above, this could lead to risks of underpayment of the CIT liabilities and penalties. In addition, opportunities to secure tax savings or tax incentives were overlooked in some cases due to the lack of CIT planning.

Please contact with Grant Thornton Vietnam’s professional tax advisors if the Enterprises would like to improve their quarterly CIT liabilities calculation and strive to seek solution for time-cost savings and CIT risks control.

Risks of Transfer Pricing

For Enterprises with fiscal year ending on 31 December, the declaration of related party transactions (Form 03-7/TNDN) is required to be submitted together with the CIT finalisation return within 90 days after the end of the fiscal year (i.e. 31 March 2016 for fiscal year ending on 31 December 2015).

Transfer pricing documentation should be in place to substantiate the declared information in columns named **"The reassessed amounts based on market price"** (Column 4 and Column 8) of Form 03-7/TNDN. As per Grant Thornton Vietnam's observation, Enterprises often use accounting records to fill in these columns without proper supporting documents, this practice could result in risks of tax adjustments at the later stage.

Currently, there is a tendency that the tax authority will conduct tax inspection on transfer pricing matters for enterprises having related party transactions but did not submit the form 03-7/TNDN or declared with inaccurate information. If this is the case, the tax authority will reassess the transfer prices or deem a profit for tax purpose which can trigger additional tax liabilities and late payment interest (including cases where tax audit/inspections were completed but the tax audit/inspection minutes did not conclude on the compliance of transfer pricing regulations for the related party transactions).

Please discuss with Grant Thornton Vietnam's Transfer Pricing experts if the Enterprises have incurred transactions with related parties.





This Newsletter has been prepared for reference purposes only. No responsibility can be accepted by Grant Thornton (Vietnam) for errors or omissions in this publication or for loss occasioned to any person acting or refraining from acting as a result of any material in this tax alert.

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

Hanoi Office

18th Floor, Hoa Binh International Office Building
106 Hoang Quoc Viet
Cau Giay District, Ha Noi
Vietnam
T + 84 4 3850 1686
F + 84 4 3850 1688

Hoang Khoi

Tax Partner
D +84 4 3850 1618
E Khoi.Hoang@vn.gt.com

Nguyen Dinh Du

Tax Partner
D +84 4 3850 1620
E Du.Nguyen@vn.gt.com

Kaoru Okata

Director – Japanese Desk
D +84 4 3850 1680
E Kaoru.Okata@vn.gt.com

Pham Ngoc Long

Tax Director
D +84 4 3850 1684
E Long.Pham@vn.gt.com

Nguyen Nhat Le

Tax Senior Manager
D +84 4 3850 1685
E Le.Nguyen@vn.gt.com

For downloads

Please visit our website:

www.gt.com.vn



Ho Chi Minh Office

14th Floor, Pearl Plaza
561A Dien Bien Phu Street
Binh Thanh District, Ho Chi Minh City
Vietnam
T + 84 8 3910 9100
F + 84 8 3910 9101

Nguyen Hung Du

Tax Partner
D +84 8 3910 9231
E HungDu.Nguyen@vn.gt.com

Valerie – Teo Liang Tuan

Tax Director
D +84 8 3910 9235
E Valerie.Teo@vn.gt.com

Tomohiro Norioka

Director – Japanese Desk
D +84 8 3910 9205
E Tomohiro.Norioka@vn.gt.com

Tran Hong My

Tax Director
D +84 8 3910 9275
E HMy.Tran@vn.gt.com

Tran Nguyen Mong Van

Tax Director
D +84 8 3910 9233
E MongVan.Tran@vn.gt.com

Nguyen Bao Thai

Tax Senior Manager
D +84 8 3910 9236
E Thai.Nguyen@vn.gt.com