

General Department of Taxation request to increase tax inspections and examinations in 2016

May 2016

General Department of Taxation has recently announced the results of tax inspections and examinations in Quarter I 2016, as follows:

- Number of enterprises that were inspected and audited: 8,034 enterprises, reaching 8.96% of the tax inspection plan for 2016 (8,034 enterprises over 89,650 enterprises)
- Total additional tax collections through the inspections and examinations: VND2,332.5 billion, equivalent to 140.4% in comparison with the first three months in 2015. In which:
 - Additional tax collection: VND1,622.5 billion;
 - Recollect of tax refund: VND166.1 billion;
 - Penalty: VND488 billion;
 - Additional tax collection through tax inspections at the tax department: VND55.9 billion;
 - Reduction in losses: VND4,518.4 billion;
 - Reduction in creditable input VAT amount: VND101.5 billion.

In this regard, General Department of Taxation has requested the local tax authorities to urgently implement the following in 2016:

1. During the tax inspection, the local tax authorities should apply the regulations on inspection, law on tax administration and the relevant guidance appropriately to maximize the efficiency of tax inspection and examination for the purpose of increasing collection for the State Budget.
2. Focus on chasing for remittance of outstanding tax liabilities, additional tax collection after tax inspection to the State Budget in accordance with the stipulated timeline.



Further, General Department of Taxation has also issued the specific guidance to the local tax authorities with the following notable points:

1. Strictly penalize enterprises that do not submit Corporate Income Tax Finalization of the fiscal year 2015 or late submission in accordance with Law on tax administration.
2. Compile a list of enterprises that are subject to penalty on late payment due to the quarterly CIT payment being less than 80% of 2015 CIT Finalization liability and to follow up with these enterprises and check returns in 2016. This issue has also been outlined in Grant Thornton Vietnam's Newsletter in November 2015, namely **"Notable points on risks of Corporate Income Tax and Transfer Pricing for Enterprises with fiscal year ending 31 December"**
3. Compile a list of enterprises with provisional quarterly CIT payment liabilities in order to review, advise and request the enterprise to remit the provisional CIT payment in accordance with the actual incurred amount to ensure timely collection for the State Budget. Of note:
 - The tax authority shall use the submitted tax returns of the previous year to estimate the quarterly CIT liability: right after the date of closing the books (10th May, 10th August; 10th November; 10th February).
 - The formula to determine the provisional quarterly CIT liability: $\text{provisional quarterly CIT} = (\text{Quarterly VAT turnover} \times \text{CIT payable of the previous year}) / \text{VAT turnover of the previous year}$.
 - In event if there is no difference or the provisional CIT payment is higher than the quarterly CIT liability estimated by the tax authority, the tax authority shall not require the tax payer to remit the provisional quarterly CIT payment.
 - If the provisional CIT payment is lower or the tax payer has not remitted the provisional quarterly CIT liability, the tax authority shall provide guidance and request the tax payer to remit provisional CIT liability in accordance with the actual incurred amount.

Please contact with Grant Thornton Vietnam's professional tax advisor if the Enterprise is interested in tax risk management prior to the inspection or needs our assistance during the tax inspection.



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