

Has your business been audited by the tax authority in 2017?

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In this month's newsletter, Grant Thornton Vietnam would like to update you on the tax audit and tax examination schedules of the year 2017 of General Department of Taxation (“GDT”) for your reference. GDT focuses on audit and examination of Value Added Tax (“VAT”) refund, comprehensive tax audit at offices of Enterprises and Foreign Invested Enterprises (“FIEs”) in retail sector. Some noteworthy points regarding this schedule are as follows:

1.



Audit and examination of VAT refund

2.



Comprehensive tax audit and examination at the office of Enterprises in 2017

3.



The General Department of Taxation has directions for auditing the FIEs in retail sector



1. Audit and examination of VAT refund

In the first three months of 2017, the Tax authorities issued 1,075 tax refund decisions; and simultaneously collected many taxes and administrative penalties. However, GDT reports that the number of after-refund audit and examination decisions is low (3%) compared to the total number of refund decisions issued and many Tax departments have not implemented audit and examination after VAT refund for the decisions arising in 2017. Therefore, GDT has requested the local tax departments to assure that the rate of audit and examination after VAT refund must be at least 20% of the refund decisions issued in the year.



3%

after-refund audit and examination decisions



20%

of the refund decisions issued in the year is the minimum rate of audit and examination after VAT refund

2. Comprehensive tax audit and examination at the office of Enterprises in 2017



GDT requires the local tax departments to strive to conduct audit and examination at enterprises to achieve a **minimum rate of 18% of the operating enterprises**. Among these enterprises, the tax departments should focus on the taxpayers with signs of high tax risk, tax refunds, invoice usage, illegitimate documents, tax incentives, natural resources and minerals mining enterprises with high risk of natural resources tax, construction sand and gravel mining and trading enterprises, e-commerce and online trading.

In Quarter I-2017, the Tax authorities also audited and examined 25 enterprises having related-party transactions. Accordingly, it led to the arrear and fine of VND150.5 billion, the decrease in losses of VND180 billion, and the incremental adjustment to the taxable income of VND139 billion.

In order to meet the requirements of the Tax Audit Teams, Grant Thornton recommends Enterprises to review the accounting books and system, tax returns and relevant supporting documents to prove their properly and fully declared tax obligations; and ensure that documents relating to price determination of related-party transactions is in place for prompt submission to the tax audit team upon request.

2. Comprehensive tax audit and examination at the office of Enterprises in 2017

GDT also announced the audit results at enterprises across the country with very high tax arrears and penalties for the period from 01 January 2017 to 05 April 2017 by the below summary of tax audit results in some provinces (Unit: Vietnam Dong):

Province/City	Total of tax arrears, refunds and penalties		Increase/ Decrease in losses		Increase/ Decrease in tax deduction	
	Audit	Examination	Audit	Examination	Audit	Examination
Ha Noi (18 decisions)	114,771,000,000	162,495,351,000	125,300,000,000	2,262,337,521	612,356,128	4,769,000,000
Hai Phong (17 decisions)	67,661,000,000	8,613,989,285	-	16,256,000,000	709,847,411	39,340,859
Hai Duong (1 decision)	11,691,592,793	7,007,131,277	165,754,292	4,181,790,082	-	904,904,916
Hung Yen (7 decisions)	1,976,959,058	15,517,770,042	1,372,591,191	471,647,323	128,422,320	1,358,982,295
Thai Nguyen (11 decisions)	26,211,828,476	2,312,780,407	24,356,000,000	28,045,265	-	42,050,479
Vinh Phuc (4 decisions)	49,957,661,864	19,423,306,650	2,214,183,730	672,800,927	-	245,304,958
Bac Ninh (3 decisions)	12,973,886,833	43,610,930,728	187,294,376	25,453,000,000	-	1,118,138,796
Quang Ninh (16 decisions)	21,634,431,067	25,146,255,301	31,058,000,000	19,488,000,000	152,416,896	5,898,224,165
Ho Chi Minh (211 decisions)	167,151,208,625	292,212,603,613	1,423,000,000,000	767,350,000,000	19,775,000,000	52,627,000,000
Binh Duong (8 decisions)	53,064,885,639	29,561,093,051	222,980,000,000	23,404,000,000	106,020,510	1,888,217,605
Dong Nai (22 decisions)	117,081,000,000	11,276,300,558	2,184,959,104	10,440,000,000	-	274,112,126
Ba Ria - Vung Tau (11 decisions)	39,451,533,933	13,966,552,513	59,032,000,000	5,411,484,483	105,126,227	2,983,126,255

3. The General Department of Taxation has directions for auditing the FIEs in retail sector

GDT requires local tax departments to:

- Liaise with relevant authorities (Department of Planning and Investment, Department of Industry and Trade) to review and identify the local retail brands and their owners. On this basis, the tax departments shall analyze and assess the tax risks to select FIEs declaring and finalizing Corporate Income Tax (“CIT”) at managing departments and propose a supplemental plan of tax audit schedule with minimum amount equivalent to the number of audit divisions of the Tax Department.
- Conduct the tax audit at enterprises after the General Department amends the tax audit schedule for the year of 2017 and report the audit result before 31 July 2017.
- Content of tax audit: CIT, VAT, PIT, Foreign Contractor Tax... with 5-year audit period (2012-2016).
- Collect taxpayers’ information and analyze the risks before tax audit.

Grant Thornton is willing to share more information with you about the items on which the Tax Authority will concentrate during the audit process when required.

Grant Thornton also published November 2014 Newsletter on the topic "**Tax Audit in Vietnam - Things Your Business needs to know**", August 2015 Newsletter on the topic "**Regulation on settlement of appeal at tax authorities at all levels**", October 2016 Newsletter on the topic "**Five Ways to Acquire Good Tax Strategy and Tax Administration Policy**". These newsletters provide many useful solutions to help businesses to protect their rights as taxpayers during the tax audit process and control the tax risks within the framework of Vietnamese laws.

Please contact the Grant Thornton experts if Your Enterprise needs advice and assistance in the tax audit and examination period of Enterprise, document review before tax audit, transfer pricing issues or amendment to certificates of investment registration and business registration.

Contacts

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