

Regulation on coordination of inspecting the implementation of financial enterprise policies and mechanisms at foreign invested enterprises

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Provincial Department of Finance to coordinate with the Provincial Department of Planning and Investment, Tax and Customs Authorities in inspecting the implementation of financial enterprise policies and mechanisms at foreign invested enterprises from 24th July 2017.



The Ministry of Finance has issued the Regulation on coordination of inspecting the implementation of financial enterprise policies and mechanisms at foreign invested enterprises (the "Regulation"), effective from 24th July 2017. Grant Thornton Vietnam would like to summarize some notable points for your reference as follows:

The Regulation provides the form and contents of coordination between the Ministry of Finance and relevant authorities in inspecting the implementation of financial enterprise policies and mechanisms at foreign invested enterprises in Vietnam.



Based on the annual or unscheduled inspection plan at the request of the competent authority, the State Department of Financial Services shall be primary responsible for coordinating with the provincial Financial Departments to inspect and supervise foreign-invested enterprises according to the following financial status:

Inspection contents	Grant Thornton Vietnam recommends enterprises to review the dossier filed at the Company in relation to the following issues
a) Contributed capital of the parties (value of land use rights, value of assets, machines, equipment, intellectual property rights, etc).	<ul style="list-style-type: none"> • Dossiers for enterprise’s establishment - Dossiers for valuation of contributed capital
b) The proper use of machinery and equipment classified as fixed assets, which are subject to import tax exemption	<ul style="list-style-type: none"> • Dossiers for machinery and equipment import- Documents proving the purpose of use as registered.
c) Inspecting the results of enterprise value, share value before listing on the stock exchange in the cases that have indications of wrong raising enterprise value	<ul style="list-style-type: none"> • Dossiers for enterprise valuation
d) Transactions with foreign parent company or related companies.	<ul style="list-style-type: none"> • To check whether the submitted declarations of related-party transactions and dossiers of transfer pricing documentation prepared in the incurred years are consistent.
e) Status of the debts (bank loans, issuance of corporate bonds, etc.).	<ul style="list-style-type: none"> • Loan contracts, payment vouchers and registrations and reports to the State Bank related to overseas loans.
f) Provision, use of contingency funds, depreciation of fixed assets, accounting of foreign exchange rate differences.	<ul style="list-style-type: none"> • Dossiers for setting up provisions, foreign exchange rate differences.
g) The maximum and minimum capital contributions of parties to BT projects and other projects attached to BT projects; Capitalization of development expenditures in the BOT project.	<ul style="list-style-type: none"> • Dossiers related to capital contribution in BT, BOT projects.
h) The distribution of profits for state capital contributions in foreign-invested enterprises	<ul style="list-style-type: none"> • Dossiers related to capital contribution in projects, dossiers on the distribution of profits
i) The status of preservation of capital contribution of economic organizations and projects with state capital (including investment in enterprises and the receipt of stakeholder to contribute capital to joint ventures or economic organizations).	<ul style="list-style-type: none"> • Dossiers for financial evaluation related to the preservation of capital contributed by organizations and projects with State capital



Given that the process of inspection will involve the coordination of various State Authorities; accordingly, the Regulation specifies a number of notable principles as follows:

- No overlapping and duplication of the scope of objects, timing of inspection and content of inspection. To coordinate in monitoring, inspection and evaluation of inspection.
- The inspection should be conducted in a timely manner, objective, accurate and strict assessment.
- Transparency and no adverse impact to the normal operation of foreign-invested enterprises during the process of inspection.
- Inspection should be carried out in accordance with the law on inspection and examination.

The issuance of this regulation shows the increase in the level of interest of Vietnamese Government in ensuring that foreign invested enterprises comply with the provisions of Vietnamese law, in particular contributed capital for enterprise establishment, accounting, tax declaration, transfer pricing and customs procedures.

Please contact our professional advisors at Grant Thornton Vietnam should you need our assistance in providing support on compliance with financial enterprise policies and mechanisms of foreign invested enterprise.

Contacts

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