



Year-end Corporate Tax Compliance Refreshment

Tuesday, January 22nd, 2018

AmCham Tax Committee

ABOUT US



Snapshot of our operations in Vietnam

- PwC Vietnam established offices in Hanoi and HCMC in 1994.
- Our team in Vietnam has more than 1000 local and expatriate staffs.
- Foreign employees include nationals of major countries currently investing in Vietnam.
- Professionals are fluent in English, qualified or enrolled in ACCA, VACPA studies
- We have access to additional Vietnam specialists in the PwC regional and global network.

What makes PwC Vietnam different

- A deep understanding of various sectors based on past work for leading global and Vietnamese companies and organisations in the sector.
- A multi-disciplinary team with expertise across a range of skill sets and industries including professionals fluent in English and 19+ other languages such as Mandarin, Japanese, Korean, Thai, French, German, etc.
- Strong relationships with key government authorities such as the General Department of Taxation, State Bank of Vietnam, Ministry of Finance, Ministry of Industry and Trade, major financial institutions, etc.

Our Hall of Fame

*Tax Controversy Leaders, 2013 - 2018
International Tax Review*

*Recommended Law Firm, 2018
The Legal 500*

*Vietnam Transfer Pricing Firm of the Year,
2016 - International Tax Review*

*Certificate of Merit by Minister of
Finance For outstanding achievements
and active contributions to Vietnam's
securities market, 2016*

*Audit Firm of the Year –Vietnam, 2016
Acquisition International*

*Tier 1 Leading Tax Advisory firm, 2016
International Tax Review*

*Best Assurance Team - Vietnam, 2015
Acquisition International*

*Certificate of Merit by the Minister of
Finance for contribution to the tax
consultancy profession from 2013 to 2015*

*Prime Minister's Certificate of Merit for
achievements in building and developing
tax consulting service market in Vietnam
from 2008 to 2012*

*Prime Minister's Certificate of Merit for
achievements in the development of the
independent auditing profession in
Vietnam from 2006 to 2010*

ABOUT US



Ms. Phung Thi Ngoc Anh
Director – Corporate Tax – PwC Vietnam

Ngoc Anh has more than 13 years experience in professional tax advisory in Vietnam and US.

Ngoc Anh has served a wide range of clients including multinational companies and local companies in sectors such as automotive, energy & resources, FMCG, F&B, manufacturing, trading and distribution, agricultural businesses, financial services and real estate.

Her professional experience has been focused on advising clients on inbound investments into Vietnam, operational tax compliance and advisory services, M&A and structuring services, effective cross-border transactions and structures, and tax controversy services.

Ngoc Anh holds a Bachelor's degree in International Business of Foreign Trade, University of Vietnam and is a Member of the UK Association of Chartered Certified Accountants (ACCA) and Member of the Vietnam Tax Consulting Association.



Ms. Nguyen Thi Khanh Ha
Senior Manager – Transfer Pricing – PwC Vietnam

Ha has more than 9 years of professional services working as tax and transfer pricing advisor in Vietnam and Malaysia markets.

Ha is a member of PwC's Government liaison team. Ha has advised large multinational enterprises as well as big local corporations on transfer pricing matters relating to documentation, planning, restructuring, applying for Advanced Pricing Agreements (APA) and transfer pricing controversy.

Ha holds a Bachelor of International Trade from the Foreign Trade University (Vietnam), Master of Professional Accounting from the University of Technology Sydney (Australia) and is a Member of CPA Australia

ABOUT US



Baker McKenzie.

Baker McKenzie is the largest international law firm in Vietnam and consistently rated among the best. We assist with the whole spectrum of corporate and commercial transactions, bringing nearly three decades of market experience to every deal aspect. We have helped facilitate meaningful legal reform and have shaped policy by participating in the drafting process of the Securities Law, Investment Law, Intellectual Property Law, Law on Credit Institutions, Commercial Law, Competition Law, Land Law, Labor Code, tax laws and several other pieces of legislation. At the same time, we help clients proactively manage emerging opportunities and risks.

Our in-depth local knowledge - coupled with far-reaching resources in 47 countries - enables us to create effective and innovative solutions tailored to your business strategies. Drawing on integrated capabilities across practices and borders, we execute deals efficiently and with greater legal insight.



Mr. Thanh Vinh Nguyen
Partner of Baker McKenzie

Thanh Vinh Nguyen is a Partner in the Baker McKenzie Ho Chi Minh City office, where he leads the Tax and Customs practice group in Vietnam. Mr. Nguyen's practice areas include tax and customs, trade and general commercial matters. Mr. Nguyen practiced tax advisory work for two international accounting firms for eight years and worked in the compliance function of an international insurance company. An expert in tax planning and law, Mr. Nguyen has assisted clients with advice and structuring work as well as contentious appeals with the tax authorities. Mr. Nguyen is an award winning practitioner, recently recognized by the International Tax Review in the categories of: Indirect Tax Leader (2017) and Tax Controversy Leader (2017) as well as being ranked as a Leading Lawyer for Taxation in Legal 500 Asia Pacific (2017).

Mr. Nguyen holds a Bachelor of Arts degree in English from the University of Ho Chi Minh City and an LL.B from the University of Law of Ho Chi Minh City.

Year-end Corporate Tax Compliance Refreshment

January 22th, 2019



Agenda

- ❖ 8:30am – Registration
- ❖ 9:00am – Welcome remarks
- ❖ 9:10am – Presentation on focused areas for corporate income tax (“CIT”) compliance, other key concerns and amendments of tax returns from legal perspective
- ❖ 10:45am – Q&A
- ❖ 11:15am – Networking
- ❖ 11:30am – Event Ends



FOCUSED AREAS FOR CIT COMPLIANCE AND OTHER KEY CONCERNS

Presenter: Ms. Phung Thi Ngoc Anh

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Declaration forms



No.	Form	Content
1	03/TNDN	CIT Finalization return
2	03-1A/TNDN	Annex P/L
3	03-2/TNDN	Annex Loss transfer
4	03-3A/TNDN	Annex CIT incentives for new businesses and investments
5	03-4/TNDN	Annex Deduction of CIT paid in foreign jurisdiction
6	03-5/TNDN	Annex CIT of reals estate transfer activities
7	03-8/TNDN	Annex CIT allocated to manufacturing units that does not keep accounting records independently
8	TP Forms	Related-party transactions declaration

Deadline for declaration and payment



Fiscal year end	Deadline
31 December 2018	31 March 2019
31 March 2019	29 June 2019
30 June 2019	28 September 2019

() The deadline is the 90th day from the fiscal year end.*

Under Circular 156/2013, in case the deadline is on weekend or holiday, the deadline will be moved to the subsequent working day. However, in practice, the General Department of Taxation will issue official notification in case of delay. Accordingly, it is recommended that the Company submit final CIT return and TP forms by the deadlines above.

2018 CIT Finalisation – Notable points



Intercompany transactions

Interest incomes and expenses

Impact of customs audit

Revenue deduction and reconciliation

Depreciation and amortization

Payments more than VND20 mil

Welfare expenses

Timing differences



Intercompany transactions - Notable points

- Royalty charge – Check if registration is required (Technology transfer, Trademark, Franchising)
- Sufficient supporting documents
- Proving benefits to the Company
- Considering related parties:
 - Do not perform any activities relating to the business of the Company
 - Do not have sufficient substance (e.g. assets, employees, etc.) corresponding with the value of the transaction; or
 - Are located in a tax haven or low tax country
- Mark-up of service charges vs Added value to the services performed



Interest expenses - Notable points

- Deductibility cap at 20% for total interest expenses
(OL No. 3790/TCT-DNL dated 5 October 2018 issued by the General Department of Taxation)
- If EBITDA <0, all interest expenses are non-deductible
(OL No.1990/CT-TTHT dated 15 January 2018 issued by the Hanoi Tax Department)
- Interest expense cap:
=> offset with financial income?
=> includes expenses with similar nature (e.g. interest on late payment, etc.)?

Impact of customs audit- Notable points



- Additional import VAT and import duty can be deductible for CIT purpose?
- Inventory discrepancies challenged under customs audits could be deductible for CIT purpose?

Revenue deduction and reconciliation



- Difference in taxable revenue recorded for VAT and CIT in the year
- Any unearned revenue in this year
- Supporting documents for trade discounts, sales rebates, goods returned
- Any other sale reductions and supporting documents available

Depreciation and amortization



- Depreciation expenses of unused FAs (e.g. land, construction, machinery, etc.)
- Depreciation expenses of FAs located in buyers/ sellers' site
- Depreciation expenses of FAs used for employees' benefit
- Date of starting use vs Date of maintaining sufficient supporting documents

Payments more than VND20 mil



- Payments more than VND20 mil made via personal bank account to suppliers
- Payments for interest paid in cash

Welfare expenses



- Expenses to be included in the one month salary cap:
 - ✓ Movement activities such as: celebrating International Women's Day 8/3, organization of sports, cultural activities, etc. (*OL2997/CT-TTHT dated 8 April 2015*)
 - ✓ School fees for Vietnamese children (*OL 5452/TCT-CS dated 18 December 2015*)
 - ✓ Lucky money (*OL 2489/CT-TTHT dated 24 March 2016*)
 - ✓ Health-check expenses for expatriates (*OL 2337/TCT-CS dated 30 May 2016*)
 - ✓ Additional severance allowance (*OL 53276/CT-TTHT dated 15 August 2016*)
 - ✓ Annual health card (*OL 8896/CT-TTHT dated 15 September 2016*)
 - ✓ Vacation expenses paid in cash (*OL 9330/CT-TTHT dated 28 September 2016*)
 - ✓ Coupon, gifts, gift vouchers (*OL 3732/CT-TTHT dated 24 April 2017 and OL 5056/TCT-CS dated 13 December 2018*)
- Personal Income Tax may be triggered for employees when receiveing certain welfares above.

Timing differences



- Accruals
- Provisions
- Foreign exchange gains and losses



KEY CONCERNS ON TRANSFER PRICING COMPLIANCE

Presenter: Ms. Nguyen Thi Khanh Ha

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2018 TP year-end declarations – Notable points



Timeline to prepare and submit TP forms

Declaration for purchase of fixed assets

Maintenance of TP documentation package

Related party lending and borrowing

Assessment for TP forms & documentation exemption



Transfer Pricing (“TP”) Declaration Forms for Fiscal Year 2018

- **Form 01:** Information on related parties and related party transactions;
- **Form 02:** List of information, documents requested in the Local File;
- **Form 03:** List of information, documents requested in the Master File; and
- **Form 04:** Country by Country Report

Fiscal year end	Deadline (along with final CIT return) (*)
31 December 2018	31 March 2019
31 March 2019	29 June 2019
30 June 2019	28 September 2019

(*) The deadline is the 90th day from the fiscal year end.

Under Circular 156/2013, in case the deadline is on weekend or holiday, the deadline will be moved to the subsequent working day. However, in practice, the General Department of Taxation will issue official notification in case of delay. Accordingly, it is recommended that the Company submit final CIT return and TP forms by the deadlines above.



Maintenance of TP documentation package

- TP documentation package including Local File, Master File and copy of CbCR
- Timeline to prepare and maintain is by the submission of Form 02 & 03.
- What if the Headquarters have not prepared the Master File and CbCR yet?

Assessment for TP forms & documentation exemption



- Is TP documentation exempted where TP forms are entitled to exemption?
- How to calculate the threshold for TP documentation exemption?

Purchase of fixed assets



- What value to declare under Decree 20? Purchase value or depreciation amount?

Related party lending/borrowing transactions



- What value to declared? Interest expense/ income incurred during tax period or principal amount?
- Calculation of cap 20% EBITDA.



AMENDMENTS OF TAX RETURNS FROM LEGAL PERSPECTIVE

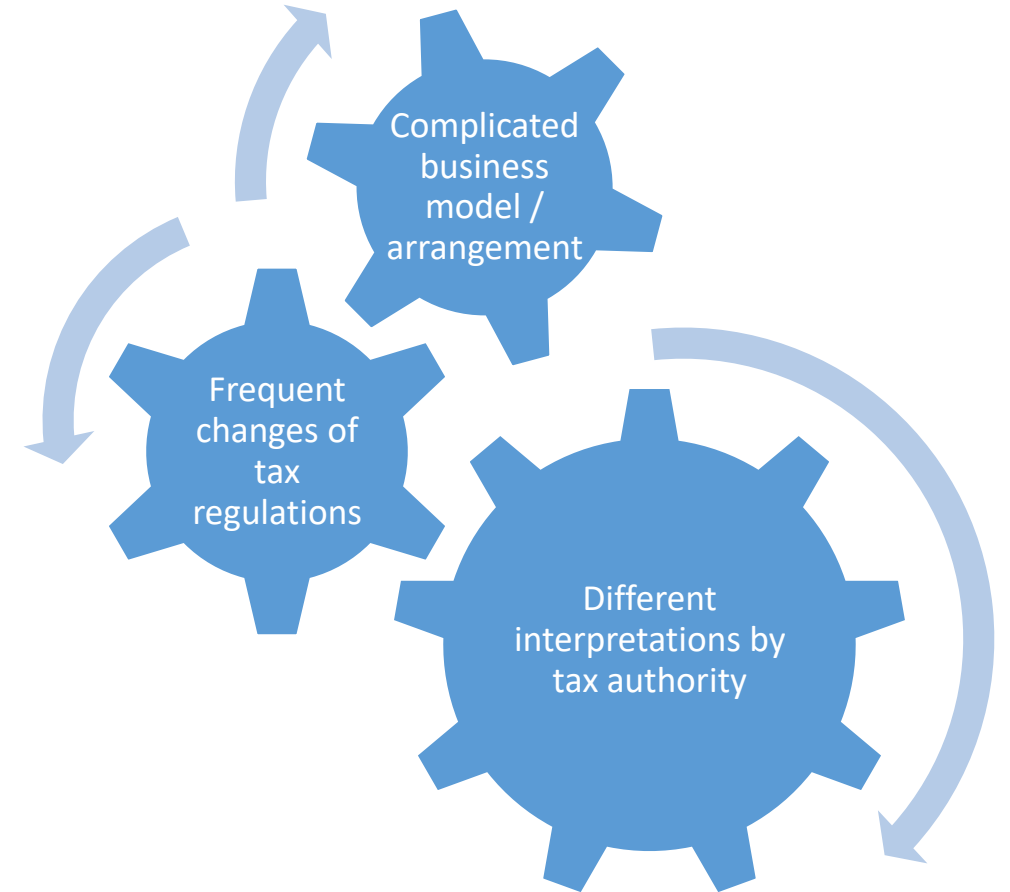
Presenter: Mr. Nguyen Thanh Vinh

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VOLUNTARY DISCLOSURE

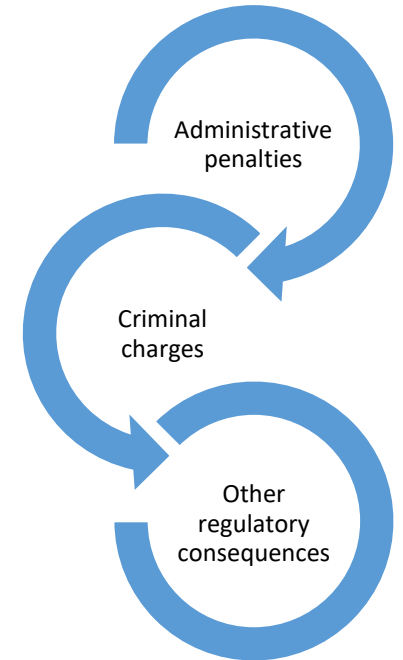
- What are the common reasons?
- Taxpayers have the right to make supplemental tax filing prior to a tax audit.



VOLUNTARY DISCLOSURE – EXPOSURE QUANTIFICATION



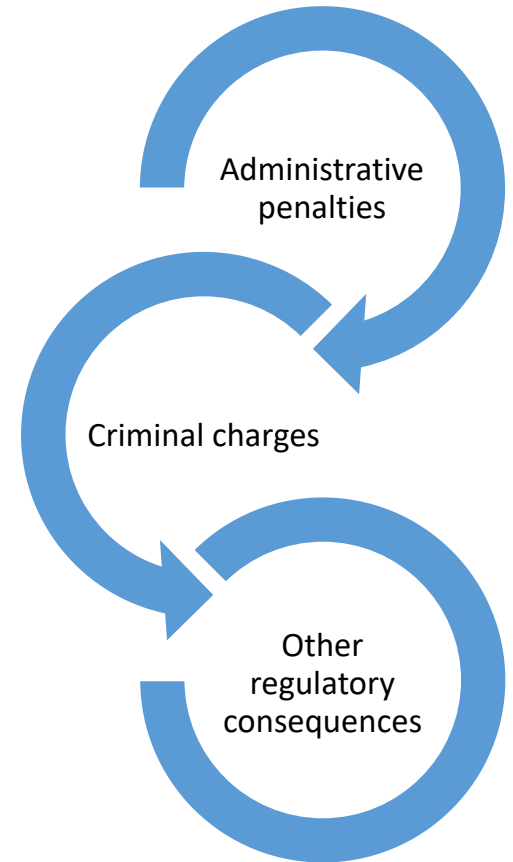
- When is the right timing?
 - Before a tax audit?
 - During a tax audit?
 - Before tax audit conclusion issued?
- What is the sanction?
 - The earlier the disclosure is made, the less the penalty is
 - Before a tax audit: only late payment interest (0.03% per day)
 - Upon a tax audit, but voluntarily pay the tax arrears before a tax audit minutes/conclusion: administrative penalty (20%) plus late payment interest as applicable to an incorrect declaration.
 - Upon a tax audit and concluded to commit tax evasion but voluntarily pay additional tax before a tax assessment decision issued: administrative penalty (20%) plus late payment interest as applicable to an incorrect declaration.



VOLUNTARY DISCLOSURE – EXPOSURE QUANTIFICATION (Con't.)



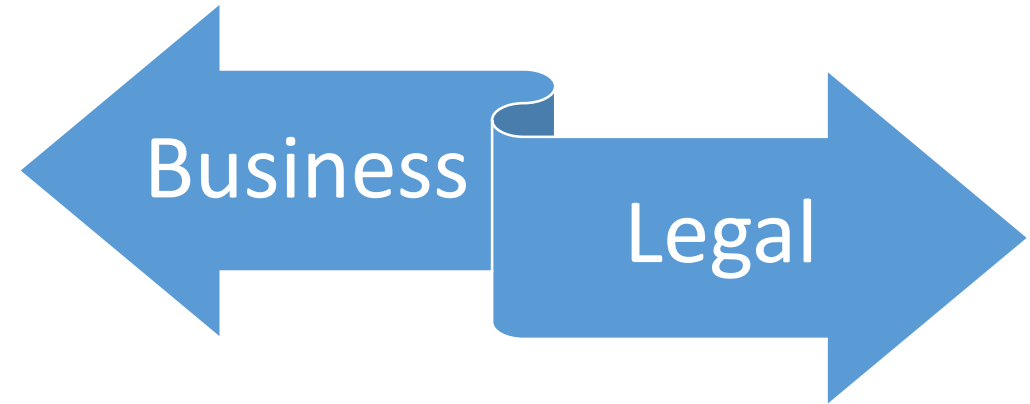
- Voluntary disclosure will trigger tax audit?
- Leverage legal and business/commercial consequences



VOLUNTARY DISCLOSURE – How to handle



- Unofficially approach the tax authority?
- Seek tax advisor's advice
- What to disclose?



THANK YOU!

