



# 2017 Year-end Tax Compliance Under the Radar



**Advisory & Compliance Services**

Tax & Corporate services

# How to manage risk of Corporate Income Tax (CIT) and Transfer Pricing (TP) non-compliance

## Are we prepared?

**More than half** of the non-compliance identified through tax audits in the recent years are associated with Corporate Income Tax (CIT) and Transfer Pricing (TP) documentation. Under the pressure of revenue collection (e.g. State budget deficit), or where specific risk areas are identified, the extent and intensity of tax audits are often **increased** at both provincial tax departments level and the General Department of Taxation level.

## What's new in 2017?

**Two major changes** in 2017 which impact the way companies perform filing of annual tax returns:

(1) The new income tax return disclosures require additional information disclosures of related party transactions.

(2) Decree 20, effective from 1 May 2017, fundamentally changes the disclosure forms

and the complexity of the TP documentation, (Local File, Master File, and Country- by Country Report), four TP disclosure forms, interest expense cap, "substance over form" principle, and CIT deductibility for certain related party transactions (e.g. royalty, technical assistance, consultancy services, trademark license, etc.)

## Common CIT and TP compliance issues

- Incorrect assessment of tax incentives due to changes in tax and investment regulations and in the business and investment structure.
- Over claimed deductible expenses.
- Cross border transactions without clear commercial or contractual structures or proper evidence of cost and service performance.
- Inappropriate allocation of expenses among related parties or among different business functions of an enterprise.
- Incorrect claim of tax losses carried forward.
- Incorrect declaration of TP disclosure forms and TP documentation.
- TP disclosure forms and/or TP documentation are not submitted and maintained by the statutory deadline.

## Potential exposure

- Administrative penalty at 20%.
- Late payment interest at 0.03%/day.



# How KPMG can help

KPMG's experienced corporate tax and government liaison team can assist you in **understanding**, **complying**, and **managing** the new reporting requirements, which will impact your tax filing and documentation obligations.

In addition, KPMG could also help identify opportunities to secure tax savings or tax incentives through proper CIT planning for 2018.

## CIT Compliance Services

- CIT preparation outsourcing
- CIT preparation support & consultation
- CIT declaration review
- CIT compliance training

## CIT Advisory Services

- CIT incentive review
- Marketing & promotional expenses
- Inter-company transactions
- Deferred tax management
- CIT health check
- CIT planning



## Corporate Income Tax Regulations

- Continuous development and supplement of CIT regulations often provides new requirements of CIT compliance and new CIT treatments whilst the guidance of the Ministry of Finance for implementation of the CIT Laws may not be clear for specific circumstances, business entities in Vietnam are required to prepare their CIT returns on a self-assessment basis. Under the self-assessment regime, penalties for non-compliances are strictly applied.
- The preparation of the annual CIT returns must be consistent with the Company's underlying financial accounts and the statutory requirements set out by the current CIT regulations. This requires an appropriate method of recognition and calculation of taxable income, determination, calculation, and allocation of expenses for CIT deduction purposes.

# About KPMG



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Our purpose is to turn knowledge into value for the benefit of our clients, our people, and the capital markets. Our member firms aim to provide clients with a globally consistent set of multidisciplinary financial and accounting services, based on deep industry knowledge.

KPMG in Vietnam was established in 1994. KPMG is one of the largest professional services firms, with approximately 1,200 staff working from our offices in Ho Chi Minh City, Hanoi, Da Nang. We work with our colleagues across Asia and around the world to provide a comprehensive range of services.

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# Contact us

## KPMG Tax and Advisory Limited

### Hanoi

46<sup>th</sup> Floor, Keangnam Hanoi Landmark Tower,  
72 Building, Slot E6,  
Pham Hung Street, Me Tri Ward,  
South Tu Liem District, Hanoi.

**T:** +84 (24) 3946 1600

**F:** +84 (24) 3946 1601

**E:** [kpmghanoi@kpmg.com.vn](mailto:kpmghanoi@kpmg.com.vn)

### Ho Chi Minh City

10<sup>th</sup> Floor, Sun Wah Tower,  
No.115, Nguyen Hue Street,  
Ben Nghe Ward, District 1,  
Ho Chi Minh City.

**T:** +84 (28) 3821 9266

**F:** +84 (28) 3821 9267

**E:** [kpmghcmc@kpmg.com.vn](mailto:kpmghcmc@kpmg.com.vn)

### Da Nang

Unit D3, 5<sup>th</sup> Floor, Indochina  
Riverside Tower, 74 Bach Dang Street,  
Hai Chau 1 Ward, Hai Chau District,  
Da Nang City.

**T:** +84 (23) 6351 9051

**E:** [kpmgdanang@kpmg.com.vn](mailto:kpmgdanang@kpmg.com.vn)

### Japan Desk

Taninaka Yasuhisa, Director (Hanoi)  
Kanaoka Hidehiro, Sr. Manager (Ho Chi Minh City)  
**E:** [yasuhisataninaka@kpmg.com.vn](mailto:yasuhisataninaka@kpmg.com.vn)

### Korean Desk

Park Song Hak, Manager (Hanoi)  
Won Il, Manager (Ho Chi Minh City)  
**E:** [ilwon@kpmg.com.vn](mailto:ilwon@kpmg.com.vn)

### Chinese Desk

Ji Jiahuey, Manager (Hanoi - Ho Chi Minh City)  
**E:** [jiahueyji@kpmg.com.vn](mailto:jiahueyji@kpmg.com.vn)

### Thailand Desk

Phakkhanit Daengsupha, Sr. Manager (Hanoi - Ho Chi Minh City)  
**E:** [dphakkhanit@kpmg.com.vn](mailto:dphakkhanit@kpmg.com.vn)