



More audits expected as Vietnam establishes dedicated TP inspection department

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The General Department of Taxation (GDT) in Vietnam has established a Transfer Price Inspection Department, a step that continues the authorities' recent focus on transfer pricing activity.

The Transfer Price Inspection Department will work at a national level to direct the GDT's policies and at the provincial level to implement and enforce these policies.

“This is the first time Vietnam has had inspection teams dedicated to transfer pricing. It indicates the determination and aggressiveness of Vietnamese tax authorities in fighting against transfer pricing disputes,” said Jack Sheehan, partner at DFDL.

There has been a significant change in how TP is dealt with in Vietnam over the past five years, after revised TP regulations were introduced in 2010. Transfer pricing audits were initiated in 2013 under instruction from the GDT, to make up for reduced tax revenue in that year, after weak economic growth. Finally, in 2013, official regulations on applying for MAP and [APAs were introduced](#).

“The Vietnamese transfer pricing landscape has changed substantially towards the focus on audits and APAs,” said Hoang Thuy Duong, partner and transfer pricing leader at KPMG in Vietnam. “

“In light of the increased audits over the past three years, which resulted in significant tax adjustment amounts - nearly \$10 million in one case - taxpayers are now responding actively by making sure they have TP documentation in place annually and before audits. With the setup of the audit function, transfer pricing audits are on the rise and will become a “new normal” part of national tax administration,” Hoang added.

On top of audit concerns, taxpayers are also pressured to comply with TP regulations by a disclosure policy the GDT introduced in 2014. Under this policy, local tax departments publish the names and details of taxpayers that have violated tax regulations or are suspected to be doing so.

“Under media pressure and this new policy, many multinational groups with business in Vietnam could no longer ignore transfer pricing matters. Many of them initiated the review of pricing mechanisms and took action to ensure compliance,” said Sheehan.

The introduction of a dedicated TP inspection department will continue to increase the pressure for taxpayers to comply with TP requirements, with the expectation being more audits on multinationals.

“Further TP audits are expected to come out of these recent transfer pricing activities. With these additional measures in place (improved risk assessment criteria), the Vietnam government undoubtedly will continue with its proactive implementation and enforcement of the transfer pricing rules and its plan to combat what it perceives to be abusive transfer pricing practices,” said Sheehan.

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