



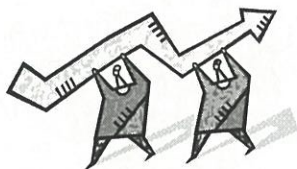
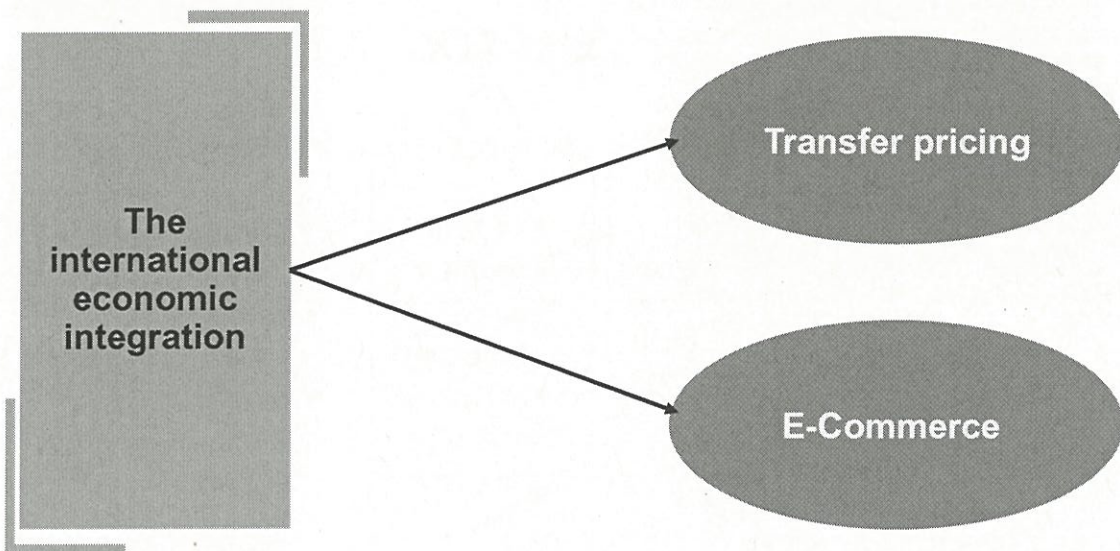
# SGATAR 2014



24<sup>th</sup> – 27<sup>th</sup> November 2014,  
Sydney, Australia



## PROBLEMS OF TAX ADMINISTRATION FOR TAX ADMINISTRATION IN VIET NAM





# 1. TAX ADMINISTRATION ON TRANSFER PRICING

## 1.1. CURRENT STATUS OF FOREIGN INVESTMENT AND TRANSFER PRICING IN VIET NAM

## 1.2. TAX ADMINISTRATION FOR TRANSFER PRICING IN VIET NAM

## 1.3. SOLUTIONS TO IMPROVE THE EFFICIENCY OF TAX ADMINISTRATION ON TRANSFER PRICING IN THE FUTURE



# 1. TAX ADMINISTRATION ON TRANSFER PRICING

## 1.1. CURRENT STATUS OF FOREIGN INVESTMENT AND TRANSFER PRICING IN VIET NAM

### The role of FDI:

1

FDI contributes to economic growth and improve the efficiency of use of resources invested in the country

2

FDI promotes economic restructuring towards industrialization – modernization

3

FDI contributes to create jobs and improve the quality of human resources and labor restructuring

4

FDI is an important channel of technology transfer that contributes to improve the technological level of the economy

5

FDI has impact on enhancing the competitive capacity in all three levels: national, company and product

6

FDI contributes to improve economic and enterprise management skills, creates more pressure on improving the business environment



## 1. TAX ADMINISTRATION ON TRANSFER PRICING

### 1.1. CURRENT STATUS OF FOREIGN INVESTMENT AND TRANSFER PRICING IN VIET NAM

Some typical manifestations of transfer prices in Viet Nam:

Transfer pricing through raising values of capital contributions by tangible assets between associated parties

Transfer pricing through transfer of intangible assets

Transfer pricing through intra-group service provider

Transfer pricing through paying interests for business loans



## 1. TAX ADMINISTRATION ON TRANSFER PRICING

### 1.2. TAX ADMINISTRATION FOR TRANSFER PRICING IN VIET NAM

- In terms of policies:

Law on Tax Administration

Circular No. 66/2010/TT-BTC dated 22/04/2010 of the Ministry of Finance guiding to determine the market price in business transactions between related parties

Circular No. 201/2013/TT-BTC dated 12/20/2013 of the Ministry of Finance guiding the application of the APA in tax administration



# 1. TAX ADMINISTRATION ON TRANSFER PRICING

## 1.2. TAX ADMINISTRATION FOR TRANSFER PRICING IN VIET NAM

- **In terms of administration:** review and capture the number of firms, related transaction types; build a database of tax industry on related party transactions, corporate data ...
- **To accelerate the transfer price inspection in 2012, 2013:** annually adjusted average loss of about \$ 200 million and income tax arrears of about \$ 50 million business .
- **Develop program of action to control transfer pricing activities in the 2012-2015 period.**
- **Promote the dissemination of management of transfer pricing.**



# 1. TAX ADMINISTRATION ON TRANSFER PRICING

## 1.2. TAX ADMINISTRATION FOR TRANSFER PRICING IN VIET NAM

Some exist in the process of implementing tax administration for transfer pricing:

*First*, the period for an audit of transfer pricing in Viet Nam are very short, not enough time to perform the necessary work in the inspection process transfer price.

*Second*, the qualifications of public officials working in the tax administration for transfer pricing are limit.



## 1. TAX ADMINISTRATION ON TRANSFER PRICING

### 1.2. TAX ADMINISTRATION FOR TRANSFER PRICING IN VIET NAM

Some exist in the process of implementing tax administration for transfer pricing:

*Third*, the database system is incomplete, lacking important supplementary information to support the analyzes, comparing in transfer pricing audit

*Fourth*, the deployment of the application prior agreement on the method of determining the taxable price (APA) is limited by lack of information and price negotiation skills



## 1. TAX ADMINISTRATION ON TRANSFER PRICING

### 1.3. SOLUTIONS TO IMPROVE THE EFFICIENCY OF TAX ADMINISTRATION ON TRANSFER PRICING IN THE FUTURE

- ❖ Strengthening the exchange of information with tax authorities of the country under the tax avoidance agreement signed
- ❖ Complete the legal framework for tax administration on transfer pricing
- ❖ Develop database
- ❖ Strengthen transfer pricing audit



## 1. TAX ADMINISTRATION ON TRANSFER PRICING

### 1.3. SOLUTIONS TO IMPROVE THE EFFICIENCY OF TAX ADMINISTRATION ON TRANSFER PRICING IN THE FUTURE

- ❖ Enhancing the capacity of tax officials who conduct tax management of transfer pricing activities:
  - Enhancing training activities: participating in training courses conducted by OECD, building training programs about investigating transfer price and deployment training.
  - Organizing conferences and seminars on transfer pricing; surveys, studying international experience on inspection of transfer price.



## 2. TAX ADMINISTRATION TO E-COMMERCE ACTIVITIES

- ❖ 2.1 CURRENT STATUS OF E-COMMERCE ACTIVITIES IN VIET NAM
- ❖ 2.2. THE IMPACT OF ELECTRONIC COMMERCE ON TAX ADMINISTRATION
- ❖ 2.3. THE SITUATION OF TAX ADMINISTRATION FOR E-COMMERCE ACTIVITIES IN THE RECENT YEARS IN VIET NAM
- ❖ 2.4. SOME DIFFICULTIES AND PROBLEMS IN TAX ADMINISTRATION TO E-COMMERCE
- ❖ 2.5. SOLUTIONS TO IMPROVE THE EFFICIENCY OF TAX ADMINISTRATION TO E-COMMERCE ACTIVITIES IN THE FUTURE



## 2. TAX ADMINISTRATION TO E-COMMERCE ACTIVITIES

### 2.1 CURRENT STATUS OF E-COMMERCE ACTIVITIES IN VIET NAM



## 2. TAX ADMINISTRATION TO E-COMMERCE ACTIVITIES

### 2.2. THE IMPACT OF ELECTRONIC COMMERCE ON TAX ADMINISTRATION

- Participate in the market with low capital-cost
- Gradually eliminate the existence of intermediary factors
- Encrypting transaction information
- Non-bordered commerce
- The emergence of digital products
- The virtual organization
- The new business model
- Change the method of tax administration of tax authorities



## 2. TAX ADMINISTRATION TO E-COMMERCE ACTIVITIES

### 2.3. THE SITUATION OF TAX ADMINISTRATION FOR E-COMMERCE ACTIVITIES IN THE RECENT YEARS IN VIET NAM

- ❖ Establish a Working Group on e-commerce tax administration in GDT
- ❖ Review, collect information, make records of taxpayers to conduct risk analysis and select high-risk enterprise to implement tax inspections
- ❖ Inspection and examination to e-commerce activities
- ❖ Identify irregularities in the observance tax obligations of taxpayers and to propose appropriate tax administration measures
- ❖ Coordinate with other communications units, press to propagate and reflect on the status of tax losses in the field of e-commerce on the mass media



## 2. TAX ADMINISTRATION TO E-COMMERCE ACTIVITIES

### 2.4. SOME DIFFICULTIES AND PROBLEMS IN TAX ADMINISTRATION TO E-COMMERCE

- **Regarding to legal basis:** the development of e-commerce has generated some tax policy issues that have not yet adjusted specifically
- **Regarding to tax registration:** the tax authorities face many difficulties if the individual or enterprises conducting business without registration to the tax authorities
- **The gathering data** of transaction history, bank account statements during purchasing transactions over the Internet by e-commerce businesses faces many difficulties





## 2. TAX ADMINISTRATION TO E-COMMERCE ACTIVITIES

### 2.4. SOME DIFFICULTIES AND PROBLEMS IN TAX ADMINISTRATION TO E-COMMERCE

- Regarding to the inspection and examination: The level of tax officials inspecting e-commerce activities is still limited, lacking of intensive knowledge about business sectors.



## 2. TAX ADMINISTRATION TO E-COMMERCE ACTIVITIES

### 2.5. SOLUTIONS TO IMPROVE THE EFFICIENCY OF TAX ADMINISTRATION TO E-COMMERCE ACTIVITIES IN THE FUTURE

- ❖ Complete tax administration to e-commerce activities
- ❖ Strictly manage from tax registration to timely grasp e-commerce activities of organizations and individuals
- ❖ Increase popularizing tax law on e-commerce to improve the compliance of taxpayers
- ❖ Strengthen the tax inspection and tax examination in e-commerce business



## 2. TAX ADMINISTRATION TO E-COMMERCE ACTIVITIES

### 2.5. SOLUTIONS TO IMPROVE THE EFFICIENCY OF TAX ADMINISTRATION TO E-COMMERCE ACTIVITIES IN THE FUTURE

- ❖ Strengthen training and fostering staff who implementing tax administration to e-commerce activities, in which focus on:
  - Knowledge of e-commerce for tax official
  - Knowledge of tax law on e-commerce; knowledge of relevant legislation
  - Knowledge of information technology
  - Skills of examination and inspection on the computer
  - Business English, English for Specific Purposes Tax

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**Thanks and best regards!**