

Tax Alert

June 2025

TAX INSPECTION ON ESOPS

The Tax Department has recently launched an ad-hoc tax inspection campaign targeting companies that have issued shares under Employee Stock Ownership Plans (ESOPs), with the aim of strengthening oversight and enhancing transparency in ESOP-related activities.

In this context, we would like to highlight several key tax considerations that companies should take into account, as outlined below:

What are Inspectors looking at?

Corporate Income Tax (CIT):

- Are ESOP-related expenses correctly treated and supported for CIT deductibility?
- Have internal policies and documentation been properly maintained?

Personal Income Tax (PIT):

- Are employee benefits from ESOPs accurately determined and declared? As accurately determining the taxable value of the shares can be complex and may present challenges for employers and/or employees in terms of valuation and documentation.
- Have both employer and employee fulfilled the PIT obligations on shares-related income (employment, dividend, share transfer, etc.)?

Why it matters:

Mistakes in ESOP tax treatment can lead to significant penalties, taxes arrears, or reputational risk. In the current context of intensified tax inspections, thorough preparation is key to mitigating these risks.

What the Company should do now:

- Conduct a thorough assessment of existing ESOP plans and recent share issuances.
- Review all supporting documents and related tax compliance procedures.
- Take initiative-taking steps to identify and address potential risks ahead of any potential tax audit.

Contact KPMG for Support:

At KPMG, we specialize in providing comprehensive tax services tailored to your needs. Our team of experienced professionals is committed to helping you navigate the complexities of tax compliance reviews and audit support services related to ESOPs.

Please contact KPMG for detailed advice and assistance. We are ready to support your business in understanding regulations, optimizing implementation processes, and ensuring accuracy in tax compliance.

Contact us

Email: info@kpmg.com.vn

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