Digitalization of tax management is a game changer

The tax landscape is rapidly changing, and tax authorities take path towards automating their tax management and administration with the main aim – interrogate taxpayer's data in real time. It seems inevitable that the tax authorities would foster use of algorithms, deployment of advanced analytics, machine learning (ML), and artificial intelligence (AI) on the received data sets to identify discrepancies and predict possible fraud attempts. The days when an audit was carried out based on spot checks at taxpayer's premises are over. We have already entered the age of computer-assisted audits for good. This is irreversible and will only expand.

Vietnam follows the world-wide trend, advancing the electronic tax management: promoting e-invoicing, electronic filing, online tax payments and refunds. The successful introduction of e-invoicing equipped the tax office with automated way of collecting transactional data, enabling tax authorities to spot tax inconsistencies and preclude tax mistakes.

With new technological capabilities taxpayers run a risk of facing increased amounts of tax assessments due to data mismatch and reconciliation gaps. Examples of reconciling gaps observed with many companies include, but not limited to: gaps between Value Added Tax (VAT) and Corporate Income Tax (CIT), ERP VAT ledgers not meeting VAT return requirements (timing gaps between accrual and cash basis), or segmented profit & loss statements not being supported by transfer pricing documentation. Moreover, tax digitalization is part of a bigger objective—the shift towards sharing more sensitive information with tax authorities, accelerated by the OECD's Base Erosion and Profit Shifting initiative (BEPS). Note: Vietnam is a formal member of the Multilateral Convention to Implement Tax Treaty Related Measures to prevent Base Erosion and Profit Shifting.

Deputy Director of the General Department of Taxation, Dang Ngoc Minh, stressed (at April and May training conferences in Quang Ninh and Khanh Hoa Provinces, respectively), that Vietnamese Tax authorities are rolling tax digitalization at full speed.

The new rules of the game require companies to get serious about data granularity, accuracy, and transparency. Tax reporting starts happening immediately or in near-real time, there will be no time for corrections

KPMG continues to invest and broaden its tax technology ecosystem at a scale that may be too costly and time-consuming for our clients to implement on their own. More and more clients opt to leverage on KPMG tax technology capabilities and innovative tax expertise in the following fields:

1 ERP tax sensitization, i.e. designing and implementing tax automated jobs within underlined ERP system:

   a. build VAT/WHT/Foreign Contractor Tax (FCT) decision tree;

   b. configure tax classification in ERP system (e.g., Chart of Accounts tax sensitization, building a separate Tax Ledger)

   c. configure automated CIT provision computation and journal entry posting (IAS 12, ASC 740/Fin 48);

2 Annual due diligence of the systems controls, main ERP hierarchies and set-up;

3 Pre-audit analysis, including comprehensive assessment of financial records to streamline the data matching between various tax filings - VAT, CIT, customs returns, and local Financial Statements;

4 Data extraction from various platforms/multiple ERPs/Modules, wrangling, cleaning and compiling data (both structured and unstructured) for purposes of tax compliance processes;

5 Tax classification for purposes of CIT compliance (e.g., split deductible vs non-deductible costs) using AI or machine learning;

6 Analytical insights into Tax performance over years or different locations through interactive dashboards to facilitate business planning and identify tax risks;

7 Enabling of RPA (Robotics Process Automation) for repetitive tasks;

8 Building tax models projecting cash tax;

9 Bringing automated controls into ERP system and many more.

KPMG can support its existing and new clients in this exciting and yet complex technology journey. We can guide by building a tax technology roadmap, leverage on available tools, develop bespoke or tailored to your needs digital solutions, provide continuous support and maintenance, if required.

Provide your data and we will turn risks into opportunities

Contact us

Hanoi	Ho Chi Minh City
Nguyen Ngoc Thai Partner, Tax & Corporate Services	**Hoang Thuy Duong** Partner, Head of Tax
Yunuskhodzhayeva Guldana Associate Director, Tax & Corporate Services	**Nguyen Quoc Huy** Director, Tax & Corporate Services

Scan to visit our website: kpmg.com.vn
Email: kpmghcmc@kpmg.com.vn