

Tax Alert

July 2023

Expediting the Value Added Tax refund for enterprises following the directive from the Prime Minister and the General Department of Taxation

On 26 May 2023, the Prime Minister promulgated Official Telegram 470/CD-TTg on the continuing implementation of drastic and effective measures and tasks in order to ease difficulties for businesses (“Official Telegram 470”). Notably, the Prime Minister commanded the Ministry of Finance to urgently conduct appropriate examination and evaluation and urge the General Department of Taxation (“GDT”) to take prompt actions, without any delay, to process the VAT refund dossiers submitted by taxpayers in a timely and effective manner.

Following the command of the Prime Minister in Official Telegram 470 in relation to VAT refund for businesses, the GDT issued several official letters (“OL”), including OL 2099/TCT-KK dated 26 May 2023, OL 2426/TCT-KK dated 15 June 2023, OL 2489/TCT-VP dated 19 June 2023 instructing the Directors of provincial Tax Departments to focus on directing the competent divisions to accelerate the VAT refund handling process, and at the same time monitor the implementation of the VAT refund procedure as prescribed under Decision No. 679/QD-TCT, which was issued by the GDT on 31 May 2023 and took effect on the same day.

With respect to the above matters, the GDT directed provincial tax departments to take the following specific actions on handling VAT refund cases:

- **For VAT refund applications classified as subject to audit first, VAT refund later:** to urgently complete the VAT refund audit, ensuring the settlement of the VAT refund application within the regulated timeline.
- **For VAT refund applications with the VAT refundable amount having been audited and verified:** to urgently issue the decision on VAT refund to taxpayers.
- **For VAT refund applications undergoing an audit and verification process:** to notify taxpayers of the progress and expected timeline for completion and issuance of final decision on VAT refund. Any VAT amounts having been verified as eligible for refund need to be settled immediately rather than waiting until the whole verification process to be completed.
- **For VAT refund applications failing to meet certain VAT refund criteria, or definitely not qualifying for a VAT refund, or having been transferred to the police department for investigation of potential legal violations:** to notify taxpayers in writing for their information.
- **For VAT refund applications for which business associations have raised concerns or complaints:** to immediately arrange dialogue with relevant business associations and enterprises to clarify the concerns, summarize and report outcomes to the GDT; proactively handle and settle the concerns within the authorization of the Tax Department. In case the settlement of certain concerns is beyond the authorization of the provincial Tax Department, the relevant tax departments are required to report to the GDT for timely guidance and settlement.
- **For VAT refund applications classified as “audit first, refund later” having been pending for more than 40 days:** the Directors of Tax Departments shall delegate an in-charge division to coordinate and work directly with the in-charge Tax Inspection and Examination Departments and tax sub-departments at district level to accelerate the refund process.
- **For VAT amount already refunded but subject to the verification and final conclusion from related competent authorities:** the Tax Department must clearly state in the audit minutes and inspection conclusion that there is insufficient basis for determining the VAT amount qualified for refund. When the conclusion and verification results of the relevant competent authorities are available, the tax departments determine the VAT amount not qualified for refund and issue a decision on VAT refund claw-back and imposition of related interest and penalties (where applicable).

Please contact KPMG for detailed advice and support during the VAT refund process.

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