

Tax Alert

February 2023

Targeted financial inspection and financial audit for 2023

According to Official Letter No. 10039/BTC-TTr dated 3 October 2022 of the Ministry of Finance (“MoF”) on the 2023 financial inspection and audit plan, the MoF sets out a number of directives towards the inspection and examination on the fulfillment of State Budget obligations. With regard to tax and customs, the MoF specifically requests the followings:

1. For the General Department of Taxation

- Strengthening the tax inspection and tax audit with regard to transfer pricing, tax evasion, timely detecting cases of incorrect, insufficient and fraudulent tax declarations, focusing on the following subjects:
 - Taxpayers being classified as high tax risk, with high risk relating to invoices and taxpayers who are subject to post-tax refund inspection/audit;
 - Taxpayers enjoying tax incentives (e.g. exemption/ reduction), tax exemption and tax relief under the double tax treaties;
 - Taxpayers undertaking capital transfers, trademark transfers, project transfers, entity split and mergers;
 - Taxpayers operating in new industries and particular business sectors;
 - Financial institutions and banks;
 - Foreign-invested enterprises with potential transfer pricing, taxpayers having related party transactions and taxpayers with a loss position for many years;
- Strictly managing the Value Added Tax (“VAT”) refund for avoidance of policy profiteering causing State Budget losses; focusing the inspection on taxpayers having large refundable amounts and taxpayers with indications of the use of illegal invoices.
- Utilizing information technology and artificial intelligence (“AI”) applications to reconcile, examine and manage taxpayers’ invoice usage.
- Conducting tax inspections and tax audits, handling tax debt and ensuring the correct, sufficient and timely collection of taxes, fees, charges and other tax revenues for the State Budget.

2. For the General Department of Customs

- Conducting inspection and audit on the compliance of customs and tax laws of enterprises that are involved in the importation and exportation of key goods items including: importation of goods subject to high tax rates with large turnover; focusing on goods that are highly likely to be exposed to fraud in term of HS code and value; and, supervising product policies, especially those having impact to human-being health, having signs of fraud on origin, quality, food safety, value, and tax rates
- Conducting inspection and audit of enterprises that enjoy import duty exemption under incentivized investment sectors; export processing enterprises importing machineries and equipment from overseas; enterprises exporting minerals and goods having mineral origins; and, export enterprises that have a significant and sharp increase in the tax refund amount.

The MoF requires that the financial inspection and audit of 2023 must strictly adhere to the above direction with proper coordination amongst competent authorities to avoid overlapping and duplication.

In addition, the General Department of Taxation has also approved the list of companies subject to tax inspection and tax audit for 2023, which was submitted by local tax departments.

Please contact KPMG if you need further consultancy on the impact of Official Letter 10039 and any assistance needed for the upcoming tax and customs audit.

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