



Unlocking Transfer Pricing Audit Trends in Post-COVID Vietnam: A Comprehensive Guide

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Introduction:

Welcome to our definitive guide on the latest transfer pricing audit trends in post-COVID Vietnam. In this informative guide, we will explore the evolving landscape of transfer pricing regulations, strategies for compliance, and a case study illustrating real-world challenges and solutions.

Section 1: Transfer Pricing Regulations in Post-COVID Vietnam

Overview:

Vietnam's transfer pricing landscape has evolved significantly in response to global economic shifts and the impact of the COVID-19 pandemic. The government is actively enhancing regulations to ensure fair taxation and prevent profit shifting.

Key Trends:

Increased Scrutiny: Tax authorities are intensifying their focus on transfer pricing practices, prompting the need for greater documentation and transparency. Currently, Vietnamese tax authorities have issued official dispatches related to this issue, focusing on reviewing businesses with high transfer price risks through the steps of reviewing and analyzing business performance, type of business, industry, investment status, declaration, and adjustment status of inter-company transaction prices. In particular, Vietnam has specific transfer pricing regulations outlined in Decree 132/2020/ND-CP, which is in line with international transfer pricing guidelines, particularly the Organization for Economic Co-operation and Development (OECD) guidelines.

Advanced Pricing Agreements (APAs): The trend of application for APAs is on the rise, providing taxpayers with more certainty regarding their transfer pricing methods.

Country-by-Country Reporting (CbCR): Multinational enterprises are required to adhere to CbCR requirements, which enhance transparency and tax authority oversight.

Section 2: Compliance Strategies in the Post-COVID Landscape

Transfer pricing compliance strategies have evolved in response to the economic and regulatory changes brought about by the pandemic. Companies now face heightened scrutiny from tax authorities as governments seek to protect their tax bases. Here are key strategies to consider:

Updated Documentation: Given the increased focus on transfer pricing by tax authorities, it is crucial to maintain comprehensive and contemporaneous documentation that demonstrates the arm's length nature of your intercompany transactions. Ensure that your documentation is up-to-date, accurate, and compliant with local regulations.

Risk Assessment: Conduct a thorough risk assessment of your transfer pricing arrangements to identify areas where adjustments might be needed. Assess how changes in your business due to the pandemic have impacted the pricing of your intercompany transactions.

Functional and Economic Analysis: Re-evaluate the functions, assets, and risks of each entity in your multinational group. Consider how the pandemic has affected these factors and adjust your transfer pricing accordingly. Perform a fresh economic analysis to support your pricing decisions.

Benchmarking Studies: Update your benchmarking studies to reflect the current market conditions. The economic upheaval caused by COVID-19 may have significantly impacted comparable data, so be prepared to justify your chosen comparables.

Advance Pricing Agreements (APAs): Consider seeking APAs with tax authorities to provide certainty regarding your transfer pricing methodology. APAs can reduce the risk of disputes and provide a

predetermined pricing arrangement.

Intercompany Agreements: Review and update your intercompany agreements to accurately reflect the economic reality of your transactions. Ensure that the terms and conditions align with the arm's length principle.

Country-by-Country Reporting (CbCR): Stay compliant with CbCR requirements, which provide tax authorities with detailed information about your global operations. Be prepared to address any questions or concerns that may arise from the data disclosed in CbCR.

Supply Chain Optimization: Re-evaluate your global supply chain and consider whether adjustments are needed to improve efficiency and reduce transfer pricing risks. COVID-19 disruptions may have necessitated changes in your supply chain strategy.

Digital Transformation: As remote work and digital transactions become more common, ensure that your transfer pricing policies account for the digitalization of business activities. Review the allocation of profits related to intangible assets and digital services.

Compliance Monitoring: Implement robust compliance monitoring processes to track changes in your business and ensure that transfer pricing policies remain effective and aligned with regulatory changes.

Transfer Pricing Training: Invest in transfer pricing training for your finance and tax teams to keep them updated on the latest regulations and best practices. This will help ensure that your strategies remain compliant.

Engage with Tax Authorities: Foster open and transparent communication with tax authorities to address any concerns or questions they may have regarding your transfer pricing practices. Proactive engagement can help prevent disputes.

Legal and Regulatory Updates: Stay informed about changes in transfer pricing regulations and tax laws in various jurisdictions where your company operates. Adjust your strategies accordingly to remain compliant.

Section 3: Case Study: ABC Corporation

Background:

ABC Corporation is a multinational enterprise operating in Vietnam, with a complex intercompany structure. They encountered transfer pricing challenges in the wake of post-COVID regulatory changes.

Challenges:

Shifting Market Conditions: In the post-COVID landscape, ABC's industry faced fluctuating demand and pricing pressures, making it challenging to establish arm's length prices.

Country-by-Country Reporting: Compliance with CbCR requirements was cumbersome due to the intricate group structure and multiple subsidiaries.

Solution:

ABC Corporation implemented the following strategies:

Thorough Documentation: ABC revamped their transfer pricing documentation, including detailed analyses of market conditions and the impact of COVID-19.

Advanced Pricing Agreement (APA): They proactively engaged with tax authorities to negotiate an APA, providing certainty for future transactions.

Technology Integration: ABC invested in transfer pricing software to streamline CbCR compliance, ensuring accuracy and efficiency.

Section 4: Conclusion

In conclusion, the post-COVID transfer pricing landscape in Vietnam presents both challenges and opportunities for multinational enterprises. With increased regulatory scrutiny, proactive compliance measures and strategies such as APAs are essential for ensuring tax certainty and minimizing disputes.

Stay ahead in this dynamic environment by staying informed, seeking expert guidance, and adopting innovative solutions like ABC Corporation. As Vietnam continues to evolve its transfer pricing regulations, it's crucial to adapt and thrive in this competitive market.

For personalized advice and assistance in navigating Vietnam's transfer pricing landscape, please contact our experts at Crowe Vietnam.

Disclaimer: This article is for informational purposes only and should not be considered as legal or tax advice. Consult with qualified professionals for specific guidance regarding transfer pricing compliance in Vietnam.

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