

MEETING BETWEEN THE GENERAL DEPARTMENT OF TAXATION AND VBF TAX & CUSTOMS WORKING GROUP

Date & Time: 9:00AM, August 30, 2018

Venue: General Department of Taxation headquarters, 123 Lo Duc, Hai Ba Trung, Hanoi

MEETING MINUTES

A - OPENING

Mr. Nguyen Dai Tri, Deputy General Director accentuated that cooperation with VBF has become a vital part of GDT's operation in following up with directions of the leadership of the Ministry of Finance following the March 2018 meeting, and also part of the agency's efforts to strengthen support for businesses to deal with concerns and have in place better tax policies to serve the interest of the business community. He then introduced participants from relevant departmental agencies. *(See attached list)*

Mr. Tomaso Andreatta, VBF Co-Chair: VBF represents an extensive network of the private sector business community, both domestic and foreign stakeholders. One of VBF's critical roles is to work closely with the Government in the making of investment policies, making it easier to do business in Vietnam. Tax-related concerns have consistently been a major topic in most of VBF discussions. It is the view of a large majority of the business community that the tax system in Vietnam remains complicated, and the long-lasting perception that taxes exist to increase revenue for the government needs to change, while inconsistent enforcement between different tiers of the system and municipalities is troubling businesses. This signifies the need for mutual exchange and cooperation. He then introduced participants from VBF. *(See attached list)*

B – MEETING DISCUSSIONS SUMMARY

1. Current concerns of VBF members

Mr. Mark Gillin:

- Tax inspection efforts need to target how to make tax collection more accurate rather than making it a mission of tax collection to line up the state coffers, which may result in inspection and audit bias.
- In many cases, tax inspectors seem so inclined in what they do to refuse accepting deductible taxes, which raises the question of making current regulations on tax deduction more specific and transparent.
- Lengthened tax collecting time and audit/inspection entails substantial costs, in both time and money, for taxpayers, disrupting businesses' commercial activities.
- The proposed shift of using pre-audit to post-audit KPIs would be better also for tax authorities, as they do not have to spend a whole week in the field doing tax inspection and audit work.

Mr. Tetsu Funayama:

- As far as transfer pricing is concerned, very few companies have now been qualified to adopt API. One of the reasons lies in the fact that transfer pricing is still a very new and complicated territory, whereas tax authorities often lack the personnel capable enough to know what is

going on. The tax sector needs support in workforce training to have in place a working legal framework and the ability to enforce administrative decisions relating to transfer pricing.

- Deadline for personal income tax payment: The ever increasing number of required documents costs businesses more time for preparation. The current 90-day timeline is not enough, and should be made longer to give taxpayer sufficient preparatory time.

Ms. Huong Vu:

- There is a fact that corporate taxpayers taking legal proceedings against tax authorities are increasing in numbers, while the tax collection pressure at subnational levels remains large. Companies often have no interest in taking the cases to court, but rather want fairness and tax authorities to deal with matters in a reasonable and transparent fashion.
- In many concerns relating tax policies, VBF has for a while not been consulted on the policy by the General Department of Taxation, but mostly gives its comments through VCCI.

Mr. Nguyen Dai Tri, Deputy General Director:

- We support legitimate expectations from industry on cutting tax payment time and tax inspection and audit. The tax sector actually has made significant progress to make tax declaration and payment more convenient for taxpayers. As indicated by a recent study (CPI on 08 different subsectors), tax was one with the most progress, as electronic filing was adopted a long time ago and has been continually improved to be more convenient for users.
- Tax inspection and audit is one of the four key mandates of a revenue service regulator, aimed to make sure whether taxes are collected as they should be, and there is never an intent to use tax inspection as a tax collection tool.
- To guarantee more transparency, the tax sector require the use of electronic inspection logbooks, which record every details of an inspector's assessment and review on a daily basis on the system.
- With regards to transfer pricing, this is indeed a new topic. The tax sector itself is in a learning process, drawing from the experiences of other countries and speeding up its own workforce training. The General Department of Taxation welcomes the initiatives and support from VBF or Japanese Chamber of Commerce in putting together education and training opportunities for local tax officials in this regard.

Ms. Le Thi Thuy, Vice Director, Education and Support Department:

- As the tax sector maintains a Propagation and Taxpayer Assistance outlet network in all parts of the country, dealing with specific taxpayers' concerns must begin from the local tax department. Only disputes that fail to be solved by the local level should be referred to the General Department of Taxation.
- In many cases, it turns out that it is the taxpayer that does not understand fully the current regulations and procedures, thus the General Department of Taxation very much wants to rely on VBF as a channel to take the correct information and updates to taxpayers.
- Concerns on personal income tax filing deadline: Not all companies have to fill up all the forms, but it depends on who is paying the taxes. If there is no tax incentive or transfer transaction involved, the appendices can be skipped. These rules have been around for many years now, but we never know of many questions or concerns about PIT filing.
- The General Department of Taxation hopes to hear what VBF has to say about implementing uncertainties, e.g. bottlenecks with the procedures, how tax authorities can help, and so on.

2. Partnership mechanism: VBF and the General Department of Taxation reached agreement on the following:

- *Three key cooperative pillars:* (i) tax policymaking; (ii) resolving outstanding concerns of the business community; and (iii) providing education and guidance on existing tax policies for taxpayers.
- *Principles of collaboration in policymaking:* The General Department of Taxation will take the first move by sending draft legislation directly to VBF to seek comments and recommendations. VBF on its part will also actively send its issues relating to gaps or inconsistency during implementation of regulations for improvement.
- *Guiding rules in resolving taxpayers' concerns:*
 - ✓ Giving priority in dealing with common concerns of Chamber of Commerce or a majority of the businesses;
 - ✓ Dealing with businesses' specific issues only when they are not handled by local tax departments;
 - ✓ The General Department of Taxation is responsible to direct local tax departments to resolve local taxpayers' concerns.
- *Cooperation approach:*
 - ✓ Comments on draft legislation will be consolidated and forwarded by VBF to the General Department of Taxation by emails and paper-based correspondence.
 - ✓ When it comes to specific important and pressing matters, the two sides will have technical or senior meetings to discuss the issues of concern, or hold specialist seminars inviting expert participants.
 - ✓ Taxpayers' concerns will be consolidated every three months and submitted to the General Department of Taxation by emails or paper correspondence. The General Department of Taxation will return its feedbacks corresponding to VBF's consolidated petitions.
 - ✓ Communication and meeting scheduling will be effected through two focal contacts – Propagation and Taxpayer Assistance Department (General Department of Taxation) and VBF Secretariat.

A – CLOSING

Mr. Nguyen Dai Tri highly credited VBF's role in aggregating members' comments to help public policies and legislation become more practical and effective. He underscored that cooperation between the General Department of Taxation and VBF was mission to improve investment policies and climate.

Mr. Tomaso Andreatta Thanked the General Department of Taxation for spending time with the VBF team, recognized and welcomed the tax sector's efforts and positive development. VBF wants to cooperate with the General Department of Taxation on various levels so that both sides listen to one another.

LIST OF PARTICIPANTS

| TT | Name | Title | Organizaiton |
|---------------------------------------|----------------------|--|--|
| General Department of Taxation | | | |
| 1 | Mr. Nguyen Dai Tri | Deputy General Director | General Department of Taxation |
| 2 | Ms. Le Thi Thuy | Deputy Head | Propagation and Taxpayer Assistance Department |
| 3 | Mr. Nguyen Duy Minh | Deputy Head | PIT Department |
| 4 | Mr. Nguyen Quy Trung | Deputy Head | Policy Department |
| 5 | Ms. Nguyen Thu Tra | Deputy General Director | IT General Department |
| 6 | Mr. Vu Van Cuong | Deputy Head | Large Enterprise Management Department |
| 7 | Ms. Nguyen Lan Anh | Deputy Head | Inspection Department |
| Vietnam Business Forum | | | |
| 8 | Mr. Tomaso Andreatta | Co-chair of VBF | Vice Chairman of EuroCham |
| 9 | Mr. Tetsu Funayama | VBF Board Member | President of Mitsubishi Vietnam |
| 10 | Mr. Mark Gillin | Head of Tax & Customs Working Group | Director of America Indochina Management Ltd. |
| 11 | Ms. Huong Vu | Co-Head of Tax & Customs Working Group | Ernst & Young Vietnam Limited |
| 12 | Ms. Lê Thị Hoàng Anh | Secretariat Coordinator | Vietnam Business Forum |