

# Managing the tax audit

PwC Vietnam



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# *PwC's tax audit services*

*Tax audits are an ongoing and normal element of the tax authorities' enforcement program. In times of fiscal difficulty or where specific risk areas are identified, the extent and intensity of tax audits are often increased.*

*Tax audits are difficult to manage and require a thorough understanding of the tax regulations and tax audit process. They require adequate planning and a clear strategy for managing and resolving issues. Liaising with the tax authorities can be challenging and specialist skills are essential.*

*Documentation is a common focus during any tax audit process. Often tax deductions are denied due to a lack of suitable supporting documents. It is also possible that otherwise correct tax filing positions result in additional taxes because sufficient documentation is not available to support the position taken.*

*Staff with limited experience in dealing with the tax authorities, inadequate understanding of the tax regulations or controls that were not employed during the period being tax audited can place significant pressure on employees and hinder the ability to achieve a reasonable outcome.*

*PwC's experienced tax and Government liaison team can assist you in managing any audit or investigation undertaken by the tax or customs authorities.*

The tax audit process can be explained in three distinct phases:

## ***1. Preparation Phase***

This is the period prior to commencement of the tax audit and principally involves determining and understanding risk areas, as well as compiling documentation in advance of commencement of the tax audit. Past tax filings and available documents should be reviewed in order to evaluate where exposures to additional tax or non-compliance may exist and consideration given as to how best to manage these issues during the tax audit. An overall strategy should be developed for the tax audit.

## ***2. Field Work Phase***

The tax authority will commonly spend a period of time at the taxpayer's premises, followed by subsequent requests for information and additional work done in their own offices. The ability to manage their queries and requests in a timely manner and to the tax authorities' satisfaction is important. A staff member should be designated as a key point of contact to liaise with the tax authorities, with other staff members understanding the importance of ensuring the accuracy and clarity of information and explanations provided. A good understanding of tax legislation and the basis to defend filing positions will assist in successfully dealing with queries from the tax authorities.

## ***3. Post Tax Audit Phase***

On completion of the field work, a tax audit minute will be produced that outlines the findings and any reassessed tax. A determination of the accuracy of the findings should be undertaken. If the taxpayer is in disagreement, a more formal process of disputing the findings needs to be undertaken. The regulations provide strict rules on when and how to dispute an amount of reassessed tax. This involves written submissions together with meetings and discussions with the authorities, potentially at different provincial and central levels.

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