Tax Checklist for Audit Engagements

Version 1– Date: 30 March 2023

Approved date: 30 March 2023

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| **Client** | **Vietcombank – Ngân hàng TMCP Ngoại thương Việt Nam** |
| **Subsidiary or Division** | FSO |
| **Period** | **1 January 2022 – 31 December 2022** |
| **Engagement Scope *(tick all relevant)*** | Statutory Audit  Group Reporting  Other Purposes *(specify): \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_* |
| **Basis of Financial Statements**  ***(tick all relevant)*** | VAS  IFRS  Others *(specify):\_\_\_\_\_\_* |
| **Materiality** thresholds | |  |  | | --- | --- | | PM (whole FS) | 1,868,388 mVND | | TE (one account) | 934,194 mVND | | SAD (one entry) | 93,419 mVND | |
| **Is the entity listed?** | **Yes**  **No** |
|  |  |
| **Classification *(based on completion of Part I of this Checklist)*** | **Current Year**  **A**  **B**  **C** |
| **Tax review memorandum required** | **Yes**  **No** |
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**Sign-Off**

This Checklist consist of two parts

**Part I – Instructions**

**Part II – Checklist for Completion of Procedures Responding to the Identified Tax Risks**

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|  |  | **AABS Sign-Off/Dates** |  | **TAX Sign-Off/Dates** |
| **Part I** |  |  |  |  |
| Prepared by: |  | Audit senior – Hang.Thu.Hoang |  | 30 March 2023 |
|  |  |  |  |  |
| Reviewed by: |  | Auditsenior manager – Trung.Van.Do |  | 30 March 2023 |
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| Approved by: |  | Partner – Ha.Phuong.Dang |  | 30 March 2023 |
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| **Part II** |  |  |  |  |
| Prepared by: |  | Tax senior – Lien Thi Ngo | *[[1]](#footnote-1)* |  |
|  |  |  |  |  |
| Reviewed by: |  | Tax manager – Huyen C Thi Nguyen |  |  |
|  |  |  |  |  |
| Approved by: |  | Partner – Nhung Thi Hong Nguyen |  |  |

***Part I – Instructions***

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| **Classification** | **Reason for classification** | **Involvement of Tax Experts** |

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| --- | --- | --- |
| Class A | * Listed clients and other Public interest entities (“other PIEs”[[2]](#footnote-2)) * Priority accounts * Other clients with significant risk relating to tax accounts, as identified and requested by audit team[[3]](#footnote-3) | * Attend internal meetings, ad-hoc meetings with clients (as and when required by audit team). In general, fieldwork is not required unless specifically requested by audit team * Review and sign off the checklist of tax review (Part II) which is prepared and signed off by audit team to ensure that the required procedures have been carried out properly by the audit team (if joining the fieldwork, tax professionals prepare the checklist together with audit professionals) * Review working papers of tax accounts performed by audit team to understand significant tax-related issues identified by the audit team (if joining the fieldwork, tax professionals prepare the working papers together with audit professionals) * Prepare and sign off Tax Review Memorandum * Timely provide relevant supporting legal documents, high-level advice on tax treatments of certain tax issues via telephone calls, emails (as and when required by audit team). |
| Class B | * Other clients with medium or moderate risk relating to tax accounts, as identified and requested by audit team | * Attend internal meetings with audit team to discuss about the Client’s tax issues * Review and sign off the checklist of tax review (Part II) which is prepared and signed off by audit team to ensure that the required procedures have been carried out properly by the audit team * Review working papers of tax accounts performed by audit team to understand tax-related issues identified by the audit team * Timely provide relevant supporting legal documents, high-level advice on tax treatments of certain tax issues via telephone calls, emails (as and when required by audit team).   *For the Class B’s client, please note that:*   * *Tax Review Memorandum is not required.* * *Tax Manager is required to sign-off the checklist of tax review and the reviewed tax section in Canvas* |
| Class C | * Remaining clients with very low tax risks based on self-assessment of audit team | * Classification of C will be self-assessed by Audit team. Audit team will prepare and sign off tax checklist. * There is no requirement of tax involvement in tax checklist. * Timely provide relevant supporting legal documents, high-level advice on tax treatments of certain tax issues via telephone calls, emails (as and when required by audit team). |

***Part II – Checklist for Completion of Procedures Responding to the Identified Tax Risks***

**Instructions**

* This part serves as general procedures for audit of tax accounts and transactions.
* This checklist should not be considered as an exhausted list of issues and resolution that the auditors can encounters. No tax issues can be ignored on the basis that they are not mentioned in the list. In addition, this checklist is not a replacement of audit program.
* Answers to this checklist must be cross-referred to the detailed working papers or documents where relevant.
* Audit professionals are required to communicate with tax professionals involved regarding:
* The applicable testing thresholds/scopes for income tax accounts, including tolerable error, and the nominal amount for posting adjustments to the summary of audit differences;
* Tax related risks, or complex or unusual transactions identified to be considered when performing audit procedures;
* The legal entity’s accounting and related internal controls to determine if financial information being used for the preparation of the income tax return is consistent on a legal entity/ taxpayer basis.

**Questionnaires**

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| --- | --- | --- | --- |
| General Tax Information | Answers  (Yes/ No or N/A; briefly describe tax issues, if any) | Initial & date | W.ref |
| 1. Have you met the entity tax personnel to discuss: | Yes |  | Interview with Tax Department |
| * Changes in the entity’s corporate structure, operation, or principal activities and subsequent tax impacts (if any) | NA. | 30 March 2023 | NA |
| * Changes in accounting methods and subsequent tax impacts (if any) | ‘- Circular No. 24/2022/TT-BTC amending and supplementing a number of articles of Circular No. 48/2019/TT-BTC  ‘-Circular 27/2021/TT-NHNN amending and supplementing a number of articles Decision No. 479/2004/QD-NHNN April 29, 2004 and Decision No. 16/2007/QD-NHNN | 30 March 2023 | FSs ended 31 December 2022 |
| * Significant transactions | Significant relating to lending and make provision for loan | 30 March 2023 | F section |
| * Tax opinions obtained from 3th parties including tax authorities. If yes, any finding or outstanding tax issues noted and documented? | NA | 30 March 2023 | None noted |
| * Outstanding tax dispute/litigation; Special tax risks and exposures on the entity’s industry | NA.  No cases noted. | 30 March 2023 | None noted |
| * Other items of possible significance | NA | 30 March 2023 | None noted |
| * Tax function of the entity (e.g., in house or outsourced). If in house, have you evaluated tax person in charge’s awareness of current tax legislation or other tax developments? | Yes.  The Bank has a financial accounting department, which is fully in charge of (CIT, FCT and VAT).  HR department in charge of PIT.  The Bank also has a separate Legal department, which provide opinion on litigation and disputes.  Some of the employees are ex-employees from Big4, there is no major changes in personnel of Tax department. | 30 March 2023 |  |
| 1. Has the entity assessed by tax authorities recently? If yes, please answer the following the status of any tax audits | No | 30 March 2023 |  |
| * Have the minutes (draft or final) been obtained? | NA | 30 March 2023 |  |
| * Have the tax liabilities been adjusted to reflect the final tax assessed figures for the appropriate period | N/A | 30 March 2023 |  |
| * Is the basis applied by tax authorities still valid under current regulations and if yes, have the basis applied by tax authorities been adopted by the entity for subsequent periods? | N/A | 30 March 2023 |  |
| * Have you cross-referred the issues raised by the tax authorities to our working papers on specific tax balances or transactions? | N/A | 30 March 2023 |  |
| * What is the tax open period (i.e., period not yet been audited/examined by tax authorities) of the Client? | 1 Jan 2022 to 31 December 2022 | 30 March 2023 |  |
| 1. Have you obtained copies of final tax returns filed by the client for the whole period and ensured that they served as basis for determination of the year-end tax obligation or any difference properly explained? | We have obtained monthly Tax Declaration for VAT, PIT and WHT from January to December 2022. CIT is not required because client is deferred CIT submission. There is no difference arisen. | 30 March 2023 | O section |
| 1. Have the overall presentation and disclosures relating to tax transactions and obligation been made in the financial statements in accordance with the requirements of the existing accounting standards and regulations? | Yes. | 30 March 2023 | O section |
| 1. Have you maintained the following audit work paper as required under EY GAM Supplement on audit procedures for tax accounts | Yes | 30 March 2023 | O section |
| * An overview of the current period tax provision, significant deferred tax balance sheet accounts, and recognized tax positions | Yes. | 30 March 2023 | O section |
| * The detailed tax provision computation/calculation for the year | Yes. | 30 March 2023 | O section |
| * Analyses of the current tax payable/receivable account(s), the deferred tax asset/liability accounts, and the liability for unrecognized tax benefits | Yes. | 30 March 2023 | O section |
| * Summary of the tax periods that are open and the status of any tax authority review (summarize status of tax audit from authority for all kind of taxes) | No | 30 March 2023 |  |
| * Reconciliation of financial reporting income to taxable income to support the current tax provision | Yes. | 30 March 2023 | O section |
| * Calculations and analyses supporting all significant differences between financial reporting and taxable income | Yes. | 30 March 2023 | O section |
| * Evaluation of the entity's significant tax accounting methods and whether those methods are permissible based on available tax law | Yes. | 30 March 2023 | O section |
| * Documentation supporting the deferred income tax provision | Yes. | 30 March 2023 | O section |
| * Reconciliation of the prior period's current provision to the local and foreign tax returns, as filed for the prior period | Yes. | 30 March 2023 | O section |
| * Reconciliation of the cumulative temporary differences, with supporting documentation for the significant items | Yes. | 30 March 2023 | O section |
| * Documentation supporting the assumptions and conclusions regarding the analysis of any unrecognized deferred tax asset, if applicable | Yes. | 30 March 2023 | O section |
| * Documentation of the analysis of uncertain tax positions | Yes. | 30 March 2023 | O section |
| * Tax and contingency disclosure information (items and amounts) required by the applicable financial reporting framework | Yes. | 30 March 2023 | O section |
| * If required by the applicable financial reporting framework, a reconciliation of the statutory tax rate to the entity’s effective tax rate | Yes. | 30 March 2023 | O section |
| * Consultation memo and support for any tax consultations | Yes. | 30 March 2023 | O section |
| ***Corporate Income Tax (CIT)*** |  |  |  |
| 1. Is the entity tax position and/or tax rates in line with the investment/operation license and the tax regulations? | Yes | 30 March 2023 | O section |
| * If there are any difficulties in determination of period for reduced tax rate due to tax incentive and the tax holiday (e.g., when it is the last year of tax holiday), has the client consulted with the tax experts? | NA | 30 March 2023 | NA |
| * If there are tax incentives, have the client complied with the Vietnamese Enterprise Accounting System, and regulations of invoicing and documents? If not, consult the tax experts on the tax incentive risk | NA | 30 March 2023 | NA |
| * If there are tax incentives, are the incentives only applied to main business income of the client (not other income, income from property, income from activities which do not qualify for incentives)? | NA | 30 March 2023 | NA |
| * Is there expansion project (e.g., Total capacity or total fixed assets higher than investment capital)? Any concern to consult with tax experts? | NA | 30 March 2023 | NA |
| 1. CIT reconciliation/calculation been made to determine the following? | Yes | 30 March 2023 | O section |
| * CIT payable for the year based on the CIT finalization Form and CIT payable balance at the end of the year | Yes | 30 March 2023 | O section |
| * Current and deferred CIT expenses for the year | Yes | 30 March 2023 | O section |
| * Deferred Tax Assets or Liabilities | Yes | 30 March 2023 | O section |
| 1. Have the carried forward tax losses been considered to determine that the effects of such items are appropriate with attention to the following? | NA | 30 March 2023 |  |
| * Recent tax assessments by the tax authorities (final tax payables, basis for subsequent years etc.) to determine the tax losses | NA | 30 March 2023 |  |
| * Accounting treatment or disclosure for the related deferred tax | NA | 30 March 2023 |  |
| 1. Has the charter capital been fully contributed? | Yes | 30 March 2023 |  |
| * If not, has the client contributed the charter capital portion in accordance with the capital contribution schedule | NA | 30 March 2023 | NA |
| * If not, has the client incurred interest expenses from any loans? | NA | 30 March 2023 | NA |
| 1. Has the method of depreciation of fixed assets been registered with the tax authority and depreciation charges are properly computed in accordance with tax regulations? Otherwise, any proposed adjustment for tax purpose? | Yes.  The method of depreciation of fixed assets is in accordance with Circular No. 45.  No adjustment required. | 30 March 2023 | K section |
| 1. Were employee benefits and other allowances/benefits (e.g. meal or uniform allowance) etc. within the deductibility limit? If not, have you reviewed the excessive amount not deductible for CIT purpose? | Yes.  All employee benefits are paid or reversed before 31 March of the following year. | 30 March 2023 | VB section |
| 1. Have promotion program been registered/notified with the relevant authorities? | Yes.  Interviewed Tax personnel. | 30 March 2023 | O section |
| 1. Have provisions for stock devaluation, loss of financial investment, bad debts, warranty expenses, etc. been in accordance with the tax regulations (e.g. Circular 48)? Consult tax experts for determination of such provisions’ deductibility | The Bank has made provision according to Circular 11 and 03, audit team recalculated and re-accessed and raised adjustment accordingly |  | D section, H section |
| 1. Have accrued expenses and other temporary difference (e.g. unrealized foreign exchange gain/loss) been in accordance with the tax regulations | Yes. |  | O section |
| 1. What is the difference between provisional quarterly CIT amount (i.e., 75% of year-end CIT payable for 3 first quarters) and final annual amount? In case final annual amount is higher than 25%, have you estimated interest on late payment? | N/A. |  | O section |
| 1. Does the Company have any dependent units such as branches, manufacturing units, etc. located in other provinces? | Yes |  | NA |
| * If yes, is the tax payable for dependent units allocated based on the portion of actual cost incurred in the period? | N/A |  | NA |
| * In case the dependent units have separate CIT incentives, is the tax payable corresponding to the incentive activities determined based on the actual results of the unit’s business activities entitled in incentive? | N/A |  |  |
| **Transfer Pricing (TP)** |  |  |  |
| 1. Has the client had intercompany transactions during the year? If yes: | Yes | 30 March 2023 | Related parties NTFS 31.12.2022 |
| * Has the client declared these transactions in appropriate regulated forms? | Yes | 30 March 2023 |  |
| * Has the client prepared transfer pricing documentation by deadline stipulated in Decree 132/2020/ND-CP? | Yes | 30 March 2023 | Financial statement ended 31 December 2022 |
| * Has the client incurred interest expenses and been well aware of the cap of 30% EBITDA as guidance of Decree No. 132/2020/ND-CP? | This regulation does not apply for bank | 30 March 2023 |  |
| * Has the client been aware that if it has loan interest in excess of the cap in a particular year, it can carry forward the non-deductible interest within 5 years? | Yes | 30 March 2023 |  |
| * Has the client incurred inter-co service fees and been well aware of conditions of expenses deductibility for related party transactions under CIT and TP regulations? | Yes | 30 March 2023 |  |
| 1. Please consult with TP experts regarding special related party transactions, TP risks and exposures if the client has not attended to the above TP compliance requirements. | No special related party transactions found | 30 March 2023 |  |
| ***Foreign Contractor Tax (“FCT”)*** |  |  |  |
| * 1. Have necessary audit procedures been made to ensure the following for the period being audited: | Yes | 30 March 2023 |  |
| * + Have you checked the list of payments to overseas parties (including those to local 3rd parties as instructed by overseas parties, “deemed” payments such as off-setting, debt conversions, off-shore settlements which result in no actual payment etc.) versus the declared FCT returns to identify the potential under-declared amounts? | Yes | 30 March 2023 | S section, T section |
| * + Have you checked the appropriateness of declared FCT rates, FCT base (e.g., gross up calculation) | Yes | 30 March 2023 | O section |
| * + Have you considered other factors such as sub-contractors, payments made on behalf of the foreign contractors, conversion of foreign currency to VND for FCT declaration purposes? | Yes | 30 March 2023 | S section, T section |
| * 1. Have you considered those payments being assessed as not subject to FCT by the clients? | Yes | 30 March 2023 | S section, T section |
| * 1. Have you considered whether the regulated procedures and associated conditions in relation to DTA exemption have been followed/ met by the client to seek exemption? | N/A | 30 March 2023 | NA |
| ***Value Added Tax (VAT)*** |  |  |  |
| 1. Have necessary audit procedures been made to ensure the following for the period being audited: | Procedures were done for Head office |  | O section |
| * + The correct calculation and eligible basis for VAT inputs (e.g., adequacy of VAT invoices, invoices not related to business activities, overall input reconciliation, allocation of input VAT between VAT-taxable activities and non-VAT taxable activities etc.) | Yes | 30 March 2023 |  |
| * + The correct calculation and completeness of VAT outputs (e.g., VAT taxing point of time, VAT invoices, VAT rates, overall output reconciliation etc.) | Yes | 30 March 2023 |  |
| * + The timely filing/declaring and payments of VAT | Yes | 30 March 2023 |  |
| 1. Have VAT input and output been reconciled for different branches at difference tax registered locations? | Yes | 30 March 2023 | O section |
| 1. Does the Company have other dependent units such as branches, manufacturing units, etc. located in other provinces? | Yes | 30 March 2023 |  |
| If yes, does the Company allocate VAT to the managing tax authority of that unit based on the units’ revenue or transfer price from units to head office? | Yes | 30 March 2023 |  |
| 1. Has the client considered specific types of transactions in determining VAT outputs such as free-of-charge sales, internal uses of own products, trade discounts etc.? | Yes | 30 March 2023 | O section |
| 1. Have the discussion been made and representation from the management been obtained about frauds and internal controls over frauds relating to VAT inputs and outputs? | Yes. | 30 March 2023 |  |
| 1. Have the client reconcile total CIT-able revenue and VAT-able revenue? If there are differences, has the client been aware of reason and documented explanation for future tax audit? | No | 30 March 2023 |  |
| Personal Income Tax (PIT) |  |  |  |
| 1. Have specific audit procedures or attention been made on the following: | Yes |  |  |
| * + Determination of residency status for expatriates | Yes | 30 March 2023 | VB section |
| * + Special allowance portion compared to salary which were determined as non-taxable or partially non-taxable and cap for non-taxable income for specific allowances and benefits (e.g., per diem; overtime allowance) and conditions for non-taxable income (contract, supporting documents) | Yes | 30 March 2023 | VB section |
| * + Significant benefit in-kinds; | Yes | 30 March 2023 | VB section |
| * + “Net” or “gross” of tax basis for salaries | Yes | 30 March 2023 | VB section |
| 1. Has the entity considered worldwide income of its resident expatriates | N/A | 30 March 2023 |  |
| * + Any income confirmation letter available? | N/A | 30 March 2023 |  |
| * + In addition, has this practice been challenged by the tax authorities? | N/A | 30 March 2023 |  |
| 1. Has the client withheld and paid PIT for |  | 30 March 2023 |  |
| * + 20% in case of non-resident individual? | N/A | 30 March 2023 |  |
| * + 10% for resident individual without labor contract or with labor contract where contract duration is less than 3 months and payment of VND2million/time or more. In case no withholding is made due to low income, is there any confirmation from the individuals stating total income is below taxable level in accordance with the regulations? | Yes  We recalculate PIT on a sampling method with HR department. | 30 March 2023 | O section  + Interview tax personnel and HR. |
| * + Other payments to individual (e.g., prize, promotion gift etc.) | N/A | 30 March 2023 |  |
| 1. Has the Company paid salary to employees who work for the Company’s dependent units, business locations which are located in other provinces?   If yes, does the Company allocate the corresponding PIT of those employees and pay such tax to the managing tax authorities of that unit? | N/A | 30 March 2023 |  |
| ***Other taxes and duties*** |  |  |  |
| 1. Have necessary audit procedures been made to ensure the balance of other taxes and duties (including SI, HI, and UI) during the year with the following concerns? | Yes | 30 March 2023 | VB Section |
| * + Appropriate basis of tax subjects | Yes | 30 March 2023 |  |
| * + Correct tax rates | Yes | 30 March 2023 |  |
| * + Correct calculation | Yes | 30 March 2023 |  |
| * + Timely declaration and payments | Yes | 30 March 2023 |  |
| 1. Have any special issues from these balances been consulted with tax experts with clear reference and documentation of conclusions? | NA | 30 March 2023 |  |
| 1. Have necessary audit procedures been performed and representation of the management been obtained for sufficient compliance and adequate disclosures in accordance with the prevailing tax-related regulations? 2. Please consult with tax experts if the client has not done this. | Yes. | 30 March 2023 | Representation letter |

1. *If tax professional join the fieldwork, he/she should be the person to prepare the tax checklist together with audit professional* [↑](#footnote-ref-1)
2. Public interest Entity (Article 53\_Independence Audit Law No. 67/2011/QH12):

   *a/ Credit institutions established and operating under the Law on Credit Institutions.*

   *b/ Financial institutions, insurance enterprises, insurance brokerage enterprises.*

   *c/ Public companies, issuers, securities trading organizations in accordance with provisions of legislation on securities.*

   *d/ Other enterprises and organizations related to the interests of the public due to the nature and scale of operation of such unit in accordance with the law regulations* [↑](#footnote-ref-2)
3. *Criteria to classify client with significant tax risks based on its industry, 1st year of audit, having various business activities or various tax incentives, no tax advisor, etc.* [↑](#footnote-ref-3)