



Global Tax Update

Vietnam

Deloitte Tohmatsu Tax Co.

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Guidance on Customs Inventory Finalization Report

Recently, the Ministry of Finance (“MoF”) and the General Department of Vietnam Customs (“GDC”) have issued some official letters to provincial customs departments to provide guidance on the customs inventory finalization report (Official Letter No.18195/BTC-TCHQ dated 08 December 2015, Official Letter No.1171/TCHQ-GSQL dated 17 February 2016, Official Letter No.1501/TCHQ-GSQL dated 29 February 2016). Some notable guidance in these Official letters includes:

(1) Cases in which finalization report (“the Report”) must be submitted

- Processing goods for export;
- Manufacturing export-goods without request for duty refund/none duty payment. In case duty refund/none duty payment dossier has been submitted (as mentioned in Official Letter 16120/BTC-TCHQ dated 01 Nov 2015), it is not necessary to submit finalization report;
- Export-Processing Enterprises (“EPEs”), comprising both manufacturing and processing goods for export.

(2) Figures presented in the Report

The GDC requests that enterprises must

maintain a system for information exchange between related departments like warehouse, accounting, import-export ... to facilitate the process of report preparation as required. In the Report, enterprises need to reconcile data from 03 (three) functions: (a) warehouse, (b) accounting and (c) import-export to ensure that data in the Report is consistent with data in accounting books and internal systems of the enterprises, and avoid variances among the data of these 03 (three) functions.

- 1) Processing goods for export
 - As for the processing operation, enterprises should prepare ledgers to keep track of materials, tools and finished goods similar to accounts 152, 155;
 - Enterprises can select either to report by quantity (if there is a system to keep track of the quantity) or to report by value as applicable to export-production (if the system records value of the goods used for processing);
- 2) Manufacturing goods for export
 - Enterprises only report data from accounts 152, and 155, and do not need to convert semi-finished goods in account 154 to materials for reporting purpose. However, enterprises are responsible for

presenting and explaining figures on other related accounts (such as 151, 154, 621, 631, 632, etc.) upon request by customs authorities during customs audit.

- For EPEs, imported materials to be reported shall include those purchased domestically;
- The value of imported materials in the report is the historical cost recorded in accounting books, including not only the purchase price on invoices (customs declaration), but also taxes and fees at the importation stage, expenses directly related to taking the materials to warehouse, expenses directly related to the procurement process and natural wastage rate within the consumption norm (if any). The value does not consist of VAT if the VAT input amounts are creditable;
- The value of finished goods in the Report is the value of finished goods manufactured from imported materials, which is extracted from account 155;
- The output data of imported materials and finished goods shall include domestic sales after changing the purpose of use.

(3) Submission and reception of the Report

- Deadline for report submission is the 90th day from the fiscal year-end date;
- When the on-line system is not yet available, enterprises have to submit a paper-based Report to Customs department where import procedures are carried out or the Customs department in charge of the EPEs;
- When receiving the Report, Customs authority must not request enterprises to submit any other documents;

(4) Examination of the Report

- Cases in which the Report must be examined include:

- First-time submission of the Report;
 - Report containing un-usual discrepancies compared to that of customs authorities' system;
 - Inspection after issuance of decision for duty refund or no-duty collection at the sites of the enterprises;
 - Inspection on the basis of risk management, assessment of compliance status of the enterprises.
- For prioritized enterprises, examination of the Report is conducted under regulations of the Ministry of Finance on prioritized enterprises.

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Contacts

Deloitte Vietnam Co., Ltd.

Thomas McClelland, Tax Leader tmcclelland@deloitte.com

Bui Ngoc Tuan, Tax Partner tbui@deloitte.com

Bui Tuan Minh, Tax Partner mbui@deloitte.com

Phan Vu Hoang, Tax Partner hoangphan@deloitte.com

Dion Thai Phuong, Tax Partner dthai@deloitte.com

Issued by

Deloitte Tohmatsu Tax Co.

Tokyo Office

Shin-Tokyo Building 5F, 3-3-1 Marunouchi, Chiyoda-ku, Tokyo 100-8305, Japan

T e l: +81 3 6213 3800

email: tax.cs@tohmatsum.co.jp

Corporate Info.: www.deloitte.com/jp/en/tax

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