



Audit & Assurance alert

Decision 345/QD-BTC on Approval of the scheme to adopt the Financial Reporting Standards in Vietnam

23 March 2020

On 16 March 2020, the Ministry of Finance (“MoF”) issued Decision 345/QD-BTC approving the adoption scheme of Financial Reporting Standards in Vietnam aiming at achieving two goals:

- To set up the roadmap to and support the adoption of International Financial Reporting Standards (“IFRS”)
- To issue and implement the Vietnamese Financial Reporting Standards (“VFRS”)

Decision 345/QD-BTC puts up new compliance requirements for specific groups of enterprises, yet this time there would be more opportunities to decide on their timeline and approach towards the adoption. Challenging as it may sound amid this turbulent situation, such implementation if properly put into place would drive in significant benefits in terms of human, process and operation efficiency. Early planning and adoption of IFRS will be to the enterprise’s best advantage by way of applying at their own pace, avoiding potential human-resource-related issues, increasing competitiveness, and attracting more foreign investments.

Nevertheless, this decision should not be considered a purely accounting change as there will be considerable impact on the enterprises in many aspects, including but not limited to HR, Finance, Planning, IT, Tax, Risk management. Moreover, there will not be a one-size-fits-all solution as the procedure will vary from one company to another, depending on factors such as industry and maturity of the reporting process. Collaboration within the business together with the facilitation of an experienced consulting firm like Deloitte could contribute to a smooth and effective transition process.

Below are some notable points for your reference:

1. The adoption of IFRS in Vietnam

The approved roadmap to the adoption of IFRS in Vietnam will be divided into two (2) stages with regulated groups of enterprises as follows:

Stage 1 – IFRS voluntary adoption (2022-2025)

- Consolidated financial statements:
 - Parent company of a State-owned enterprise, that is a large-scale enterprise or receives loans from international financial mechanisms;
 - Parent company that is a listed company;
 - Large-scale public company that is a parent company not yet listed;
 - Other parent companies
- Separate financial statements:
 - 100% FDI enterprises that are subsidiaries of foreign parent companies, and have the need and sufficient resource

Stage 2 – IFRS compulsory adoption (2025 onward)

- Consolidated financial statements:

Upon the assessment results of stage 1, the need and readiness of enterprises, and specific circumstantial information, the MoF will decide on the plan and timeline of compulsory IFRS adoption for each group of enterprises in the following categories:

- Parent company of State-owned enterprise(s);
- Parent company that is a listed company;
- Large-scale public company that is a parent company not yet listed;
- Other large-scale parent companies

Other parent companies that are not included above, but having the need and sufficient resources must inform the MoF in advance of their voluntary adoption of IFRS in the preparation of consolidated financial statements.

- Separate financial statements:

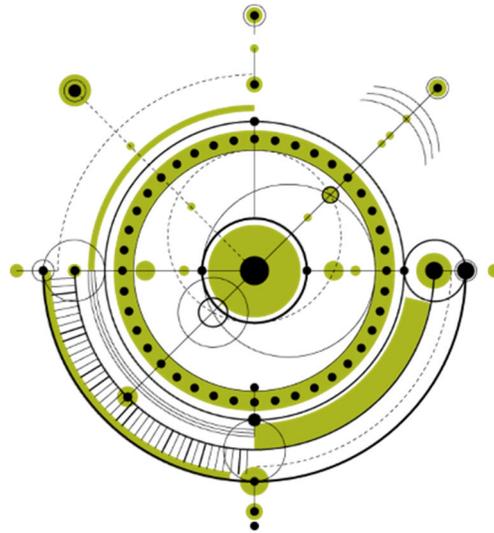
Upon the assessment results of stage 1, the need and readiness of enterprises, and specific circumstantial information, the MoF will decide on the plan and timeline of compulsory or voluntary IFRS adoption for each group of enterprises to ensure the efficiency and feasibility.

2. The publication and implementation of VFRS

- From 2025 onward, the adoption of VFRS will be required for all enterprises, except for those already adopting IFRS or Vietnamese Accounting Standards (“VAS”) for micro-enterprises (Circular 132/2018/TT-BTC).
- There will be specific guidance(s) from the MoF on the accounting practice for micro-enterprises that have neither the need nor sufficient resources to adopt IFRS and VFRS.

3. Other requirements by the MoF:

- The enterprises that have the need and sufficient resources and wish to apply IFRS in the preparation of their financial statements must inform the MoF beforehand.
- Upon applying IFRS, the enterprises must ensure the adequacy, transparency, and integrity of the information provided to the authority, and be held legally responsible for the determination of tax obligations to the State budget.
- The enterprises must present and disclose in their financial statements the difference(s) between accounting and taxable profit, if any. Tax filings and payment must comply with effective regulations.
- The enterprises subject to compulsory IFRS adoption must apply at the same time all effective IFRS as regulated by the International Accounting Standard Board (IASB”).
- The adoption of IFRS, either voluntary or compulsory, must be applied consistently throughout the financial year.



Should you have any further inquiries, please feel free to contact us.

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