

Client Alert, April 2018

Increased Penalties for Accounting Administration Infringements

Domicile

Corporate Services

On 12 March 2018, the Vietnam Government issued Decree 41/2018/ND-CP concerning penalties for Accounting Administration Infringements. The new Decree is effective from 1 May 2018, and replaces Decree 105/2013/ND-CP.

This new Decree places further stringent requirements on companies with respect to basic accounting records and procedures, reflecting the Government's emphasis on compliance in general, by adding additional infringements and increasing penalties when compared to the previous Decree that it replaces.

PENALTIES FOR SPECIFIC INFRINGEMENTS

The Decree clarifies penalties on the administration of the accounting function where specific requirements are not complied with. Selected penalties include:

Accounting Vouchers

Mistakes or carelessness in preparing or maintaining accounting vouchers will lead to the following penalties:

| Issues / Errors | Penalty (million VND) |
|---|-----------------------|
| Accounting vouchers with stamped signatures, lacking required information, erased content, or signing with red ink. | 3-5 |
| Accounting vouchers with inconsistent signatures, lacking required signatures, failure to translate into Vietnamese, damaged or lost vouchers, or signing accounting vouchers without proper authority. | 5-10 |
| Non-compliance with wording, numbers, monetary units and accounting period regulations. | 10-20 |
| Issuing more than one voucher for each transaction, or inconsistent content in voucher copies compared with the original. | 20-30 |

Domicile Corporate Services is a leading provider of professional accounting, tax, payroll consulting, compliance and advisory services in Vietnam, with a focus on providing quality outsourcing and consulting services to clients.

We assist foreign invested and locally owned companies maintain the highest level of professional standards in Vietnam through proactive compliance, reporting assistance and advice.

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Accounting Documents

Penalties for infringements concerning accounting records, chart of accounts, financial statements, document retention and governance are listed below:

| Issues / Errors | Penalty (million VND) |
|---|-----------------------|
| Accounting Records | |
| Accounting records lack signatures, have no page numbering, or are not stamped across pages. | 1-2 |
| No accounting vouchers to prove data is recorded. | 3-5 |
| Chart of Accounts | |
| The chart of accounts used doesn't comply with current regulations. | 10-20 |
| Financial Statements ("FS") | |
| <i>Financial Statement Format</i> | |
| The FS are missing information, lacking required signatures, or do not comply with requirement templates. | 5-10 |
| Parts of the financial statements are missing. | 10-20 |
| The FS data is not consistent with the data from the accounting records. | 20-30 |
| <i>Financial Statement Lodgment</i> | |
| Late lodgment of FS, up to 3 months late. | 5-10 |
| Late lodgment of FS, more than 3 months late, or failure to attach the audited FS for companies that require an annual audit. | 10-20 |
| Document Retention | |
| Document retention for less than required period. | 5-10 |

Governance

| | |
|--|-------|
| Failure to appoint a Chief Accountant or person in charge of accounting, or failure to declare changes with the tax authority. | 5-10 |
| Appointing or hiring a Chief Accountant who fails to meet legal requirements. | 20-30 |

Asset Records

Non-compliance with maintaining asset inventories will lead to the following penalties:

| Detail | Penalty (million VND) |
|--|-----------------------|
| <ul style="list-style-type: none">Failure to total the inventory reports, or having reports lacking required signatures,Failure to reflect differences between actual inventory on hand and accounting records. | 1-2 |
| Failure to record assets in accordance with regulations. | 3-5 |

Statute of Limitations

The statute of limitations for Accounting Administration Infringements is 2 years.

- For acts of administrative infringements which have ceased, the statute of limitations commences from the ending date of the infringing events.
- For acts of administrative infringements which are currently occurring, the statute of limitations commences from the time of detection of the infringing events.

Enterprises in Vietnam need to take a cautious and careful approach towards their accounting system, and we encourage enterprises to seek professional, external advice and assistance to ensure compliance and avoid penalties from authorities.

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