VIETNAM BRIEFING

From Dezan Shira & Associates

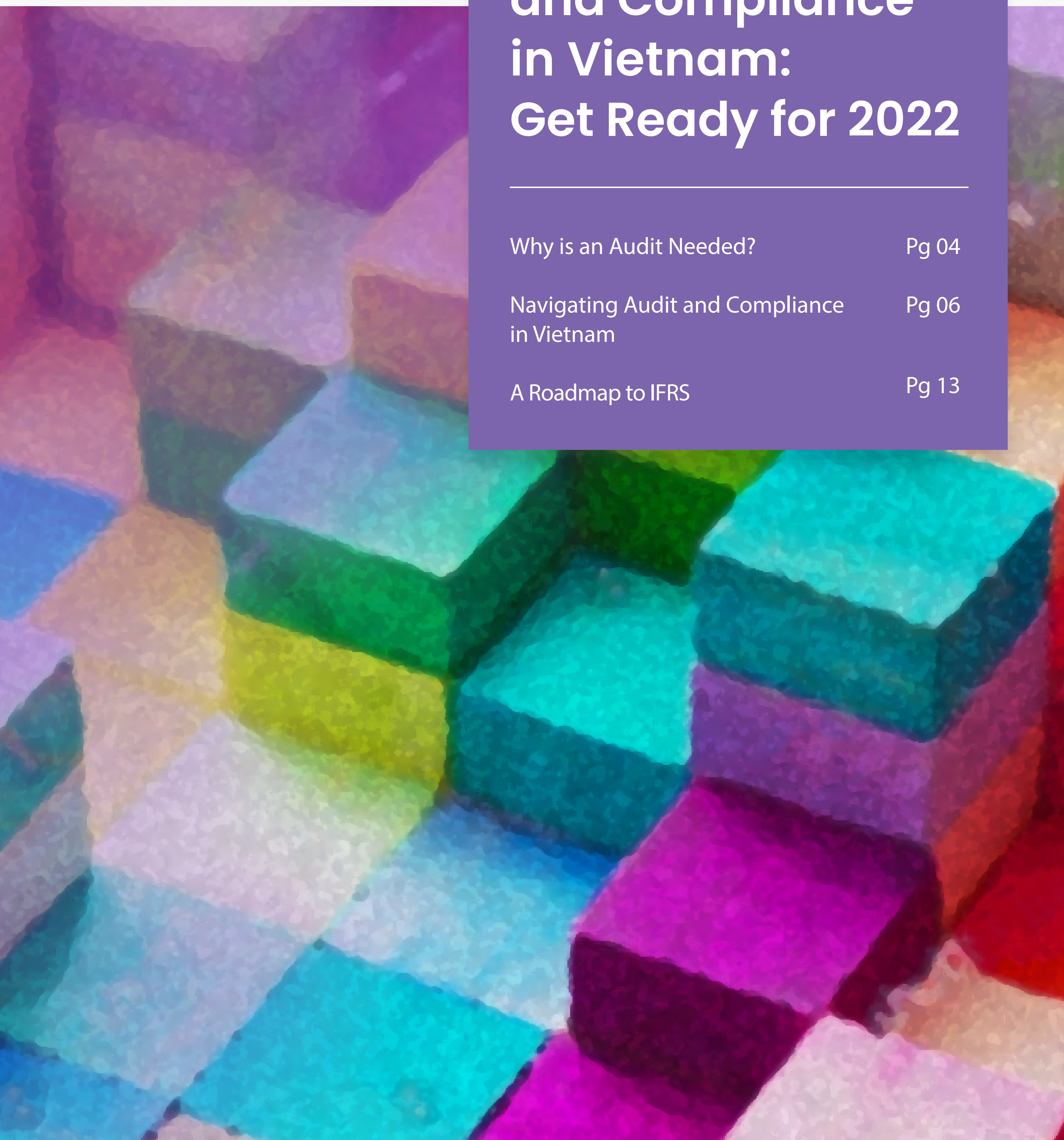
Issue 48 • December 2021 | www.vietnam-briefing.com

Annual Audit and Compliance in Vietnam: Get Ready for 2022

Why is an Audit Needed? Pg 04

Navigating Audit and Compliance in Vietnam Pg 06

A Roadmap to IFRS Pg 13



Introduction

ALBERTO VETTORETTI
Partner
Dezan Shira & Associates

The first quarter is always a busy time for foreign investors in Vietnam. Compounding license renewals and issues of new regulations, preparation of annual reports present significant compliance tasks for enterprises of all sizes. Shifting regulations, changing interpretations of existing legislation, and convergence with international norms coalesce to form a compliance environment that could potentially trigger significant costs.

Subject to varying requirements, all foreign entities in Vietnam are required to comply with statutory audit procedures outlined in the law and clarified by numerous decisions and circulars. Working to ensure compliance with up-to-date procedures and accounting standards can thus cause uncertainty for even the most experienced investors in Vietnam. Beyond facilitating compliance requirements, however, the annual audit presents an opportunity for the entity to conduct a deep dive into their finances and internal operations.

In this issue of Vietnam Briefing magazine, we guide businesses through the annual audit and compliance process. We start with why an audit is needed, followed by a guide on auditing and compliance procedures. We conclude with looking at IFRS and Vietnam's roadmap to implementing the accounting standard by 2025.

Dezan Shira & Associates has a growing team of accounting and legal professionals in Vietnam with years of experience helping foreign enterprises ensure compliance. For questions or information on annual statutory audit assistance, bookkeeping, financial reporting, or other compliance issues, please contact us at **vietnam@dezshira.com**.

With kind regards,

Alberto Vettoretti

Credits

Publisher - Asia Briefing Media Ltd.
Lead Editor - Melissa Cyrill
Editor - Pritesh Samuel
Contributor - Vinh Le
Designer - Aparajita Zadoo

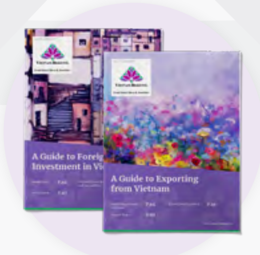
Annual Audit and Compliance in Vietnam: Get Ready for 2022

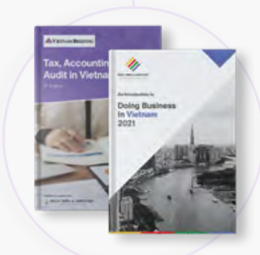
Contents

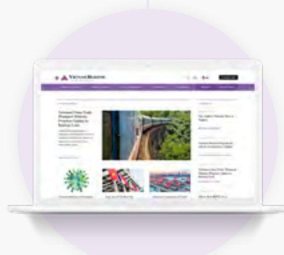
Why is an Audit Needed?	Pg 04
Navigating Audit and Compliance in Vietnam	Pg 06
A Roadmap to IFRS	Pg 13

Annual Subscription

Vietnam Briefing Magazine is published four times a year. To subscribe, please visit **www.asiabriefing.com/store**. And please explore the clickable resources below.







Strategic Advisory and Commentary
info@dezshira.com

Professional Services
www.dezshira.com/services

Asiapedia
www.dezshira.com/library

Legal, Tax, Accounting News
www.vietnam-briefing.com/news

Magazines, Guides, Reports
www.asiabriefing.com/store

Podcast and Webinar
www.dezshira.com/library/search?type=podcast&language

Reference

Vietnam Briefing and related titles are produced by Asia Briefing Ltd., a wholly owned subsidiary of Dezan Shira Group. Content is provided by Dezan Shira & Associates.

For queries regarding the content of this magazine, please contact:
editor@asiabriefing.com

Asia Briefing Ltd. Unit 507, 5/F, Chinachem Golden Plaza, 77 Mody Road, Tsim Sha Tsui East Kowloon, Hong Kong.

Follow us

Connect with us for the latest news, events and insights across Asia.

Like *Vietnam Briefing* on Facebook

Follow *Vietnam Briefing* on Twitter

Connect with *Dezan Shira & Associates* on Linkedin

View *Dezan Shira & Associates* on Youtube

Scan the QR code to follow us on WeChat and gain access to the latest investor news and resources

Why is an Audit Needed?

Integral to the remittance of profit and continuation of operations within Vietnam, changes to annual audit and finalization procedures are of utmost importance. In addition to helping prevent fines and ensuring the continuation of production, close attention to changing audit and compliance procedures is a healthy opportunity for companies to assess their performance as well as discover emerging trends within the Vietnamese marketplace.

Pritesh Samuel
Author

A financial audit is an objective examination and evaluation of the financial statements of an organization to make sure that the financial records are a fair and accurate representation of the claimed transactions.

Almost all companies undergo a yearly audit of their financial statements – which includes an examination of the income statement, balance sheet, and cash flow statement, among others – as the first step of the annual compliance.

While tedious, this process is a good opportunity for companies to conduct an internal financial health check to optimize tax efficiency, financial structure and processes, as well as internal control mechanisms for fraud prevention.

Annual audits serve as a perfect opportunity for foreign-owned enterprises (FOEs) to double-check their tax obligations, identify unnecessary tax payments that can be refunded, and improve their accounting system. FOEs and representative offices (ROs) are obligated to have their annual statements audited. We discuss the most common considerations below.

Allow enough time

Allow enough time for the audit and ensure that all key staff are available when required. This means making sure that your finance and accounting staff haven't booked time off during the audit, and that they generally have a free schedule while the auditor is carrying out fieldwork.

In order to gauge a comprehensive understanding of your company, there is likely to be additional information and details behind the figures. Not being able to answer any queries promptly will inevitably prolong the process.

Go digital

Due to the emergence of online accounting and invoicing software, it's now far easier for firms to document and categorize documents that will be required in preparation for an audit. Much of this is automated, meaning less work is required from the finance department.

Alternatively, documents can be stored digitally by scanning and uploading them onto the cloud. This means the information is readily accessible online, rather than having to rifle through filing cabinets when the financial year ends. Vietnam is making a push towards digital transformation by 2025, and this presents an opportunity for businesses to further move in line with this transformation.

Profit remittance

All FOEs are required to have their annual financial statements audited before transferring profits to their respective markets. These involve a statutory audit, audited financial statements, and tax finalization filings. Annual compliance procedures are not only required by law but are also a good opportunity to conduct an internal financial health check. To maintain compliance with Vietnamese law, and ensure that profits can be remitted without issue, it is advisable for companies to direct any and all inquiries to Vietnam's Ministry of Finance or professional service firms operating within the country. They will be able to clarify the nature of prevailing compliance and often can provide a level of practical nuance that is not available within legislation or official guidance that has been issued to date.

Managing business risk during the COVID-19 era

Vietnam's fourth wave struck the economy quite hard, locking down residents, business, and factories. But as the economy reopens and businesses get back to production, Vietnam is likely to emerge stronger and more resilient from the pandemic. In this context, remitting profits will become even more common among FOEs against the backdrop of supply chain disruptions and remote employees in Vietnam as well as around the world. An independent audit can complement the headquarters in managing and monitoring the financial situation of the FOEs.

Moreover, only companies that stay vigilant and actively strive to reduce their mistakes will be able to survive and thrive in the new environment, and audits serve as a good way to spot the internal flaws and make amendments at the appropriate time. Companies can use the annual audit to enhance their internal control and risk management system.

Optimizing annual compliance

While Vietnam is one of ASEAN's rising stars, the nation is also stuck with one of the most complex and time-consuming tax systems in the region. Although taxation in Vietnam is complex to varying degrees, annual finalization places a particularly significant burden upon many foreign investors.

To the credit of the government, there have been substantial improvements to the compliance process in recent years. Nevertheless, there is still significant room for improvement. On top of this, the maturing nature of tax and compliance may continue to add to a degree of uncertainty as business come to terms with implementing new regulations and practices.

Navigating Audit and Compliance in Vietnam

In Vietnam, the Accounting Law is the highest accounting regulation issued by the National Assembly. Accounting issues are further governed by various decisions, decrees, circulars, official letters, and Vietnamese Accounting Standards.

Pritesh Samuel
Author

Vinh Le
Co-author

In Vietnam, the Accounting Law is the highest accounting regulation issued by the National Assembly. Accounting issues are further governed by various decisions, decrees, circulars, official letters, and Vietnamese Accounting Standards.

The accounting framework in Vietnam is mainly rules-based rather than principles-based. The Vietnamese Accounting Standards (VAS) is effectively a book-keeping and financial reporting manual that provides a standard chart of accounts, financial statements template, accounting books and voucher templates, as well as detailed guidance on accounting double entries for specific transactions.

There are industry-specific accounting guidelines for credit institutions, insurance companies, securities companies, fund management, investment funds, oil and gas operators , lottery companies, regulatory bodies, and public sector entities. The accounting guidelines for credit institutions are issued by the State Bank of Vietnam.

Local and foreign-invested companies doing business in the country are required to comply with VAS when recording their financial transactions. Foreign companies may choose to manage two accounting records: one based on the VAS and another compiled specifically for the overseas head office.

In practice, many foreign companies maintain an accounting system according to VAS and only convert financial statements into the International Financial Reporting Standards (IFRS) on a monthly/quarterly/yearly basis for the foreign parent company's reference.

In brief, the VAS requires that accounting records:

- are in the Vietnamese language, or are combined with a commonly used foreign language;
- use VND as the accounting currency (however, FIEs are allowed to select a foreign currency as their accounting currency if they meet requirements as per the Law on Accounting);

- comply with the Vietnam chart of accounts; and
- include reports specified by VAS regulations, printed on a monthly/quarterly/yearly basis, signed by the legal representative or person authorized, and affixed with the company seal.

An accounting period in Vietnam is generally determined according to the calendar year, that is, January 1 to December 31. However, after registering with the Tax Department, this can be adapted to 12-month periods – beginning from the first day of each quarter.

Tax authorities can penalize companies for VAS non-compliance through the disallowance of input VAT credits and withdrawal of corporate income tax (CIT) incentives.

Annual finalization

Based on the accounting periods specified above, investors and other foreign enterprises operating in Vietnam will be required to prepare audits and file annual financial statements no later than the last day of the third month after the close of the annual accounting period.

As per current regulation, annual finalization must be filed with the following offices:

- The General Statistics Office;
- The Ministry of Planning and Investment; and
- Tax office at the provincial or city level.

For those companies operating in export processing zones (EPZs or industrial zones (IZs)), financial statements may be required to be filed with the management board of the respective EPZ or IZ. Most economic zones will qualify an investor for tax holiday incentives. Foreign investors should check with each zone to clarify its incentives, which government officials grant on a case-by-case basis.

Retention of documentation

Following annual finalization, companies will be required to retain a variety of documents that may arise as a result of the bookkeeping and accounting process. The period of retention is tied to the nature of the documentation generated and is broadly split into five-year, 10-year, and indefinite periods of retention.

- The five-year retention period applies to all documentation that is used in the management and operation of the enterprise.
- The 10-year retention period applies to all accounting data, accounting books, financial statements, and reports of independent audit firms that have been prepared on behalf of the company in question.
- The indefinite retention period is limited to documents that are deemed to be of significance to the economics, national defense, or security of the Vietnamese state.

Whether it be convergence with IFRS, the growth of e-filing, or simple efforts to improve business competitiveness, Vietnam has a continually changing set of audit procedures that must be followed closely in order to ensure compliance.

Below we provide a step-by-step guide on this process for one of the most common investment vehicles of foreign enterprises in Vietnam.

Audit procedures for FOEs

The FOE compliance process, which is also applicable to joint ventures (JVs), can be complex and time consuming. The successful completion requires the compilation of a statutory annual audit report and the finalization of corporate and personal income taxation.

Following successful submission of this information to various government bodies, it becomes possible for firms to repatriate profits from their operations.

With rules constantly changing, prospective and established investors alike should contact a service provider or relevant government officials to ensure that reports are prepared in accordance with the most updated regulations.

Step 1: Prepare statutory annual audit report

All FOEs are required to produce audited financial statements on an annual basis. These statements must be prepared in accordance with Vietnamese Accounting Standards (VAS) and follow the most up to date guidance available.

As per Vietnamese law, financial statements of FOEs must be conducted externally, by using an independent auditor. The following audit procedures must be followed, and documentation prepared to ensure compliance:

Statutory audit requirements:

- Statement of income;
- Statement of financial position;
- Statement of changes in equity (if any);
- Statement of cash flow;
- Balance sheet; and
- Notes.

Requisite documentation

- From 04-CS/SXK: Report on Production and Business Activities, including:
  - » Actual Operating Business Lines;
  - » Labor Statistics (Number of Employees, turn over, etc.);
  - » Labor Income and employer payments of social insurance, health insurance, unemployment insurance, and trade union fees;
  - » Production and business activity results (revenue, profit, cost, etc.) and
  - » Taxes and other amounts payable to the state.
- From 04-CD/GVGL: Report on Charter Capital
  - » Contribution, including;
  - » Initial registered charter capital;
  - » Current registered charter capital;
  - » Implemented charter capital in the reporting year;
  - » Charter capital accumulated by the end.

The Goods and Services Tax (GST) system requires taxpayers to self-assess their tax liability and pay their tax without any intervention by the tax authorities. The law provides for a robust audit mechanism to measure and ensure compliance by the taxable person.

Deadlines

FOEs need to submit audited reports to the following three government departments on the last day of the third month at the end of the calendar or fiscal year.

- Provincial Department of Planning and Investment (DPI) (or the provincial-level export processing and industrial zone department in the case of FOEs based in IZs or EPZs);
- Provincial level tax departments; and
- Provincial level statistical offices.

Upon receipt of documentation, these offices place an incoming stamp directly on one copy of submitted reports for confirmation purposes.

For electronic submissions, the enterprise will receive an electronic confirmation or the documentation will be stored directly in the system of the authority without being stamped.

Step 2: CIT finalization

In addition to the quarterly remittance of provisional CIT payments, FOEs in Vietnam must conduct CIT finalization at the end of every year. The standard tax year applied in Vietnam is the duration of one calendar year. If a different year is utilized, the enterprise must report this to the local tax agency as mentioned earlier.

When preparing finalization paperwork, enterprises should pay close attention to revenue streams to ensure all requisite income is included in finalization statements. Currently, revenue applicable for CIT includes any and all income arising from production, trading, and service, irrespective of whether it has been generated within Vietnam.

Following an assessment of revenue streams, outstanding obligations, and investment incentives, it is a possibility that taxes may be reduced substantially or avoided. In the event that no tax liability has arisen, or taxation has been exempted under applicable tax incentives, enterprises must still complete tax filings with tax authorities by established deadlines.

It should be noted, however, that filing is not required for enterprises whose tax-generated activities are terminated or have ceased business operations and no tax liabilities have arisen.

Those finalizing corporate income taxation should prepare CIT reports in accordance with the following requirements and deadlines:

Requisite documentation

- Form 03/TNDN CIT finalization statement;
- Annual Financial Statements and other related documents; and
- One or more annexes enclosed with the declaration (depending on the actual arising of the enterprise).

Deadlines

Submission of finalization paperwork must be submitted to the head of relevant tax agencies no later than the last day of the third month from then end of the fiscal year. For cases of operation termination, contract termination, or corporate ownership transformation tax offices must be made aware within 45 days following the date at which changes were made.

Step 3: Personal income tax (PIT) finalization

FOEs, as employers, are responsible for the finalization of all PIT of their employees covering deductions from salaries throughout the year.

Enterprises finalizing PIT for their employees should make sure that the following forms are successfully completed by the deadlines outlined below:

Requisite documentation

- Form No. 05/QTT – PIT finalization statement;
- Form No. 05-1/BK-QTT-TNCN – Detailed list of taxable income and tax deductions from salaries and wages of individuals who are subject to progressive tax rates; and
- Form No. 05-2/BK-QTT-TNCN – Detailed list of taxable income of individuals who are subject to direct tax rates; and
- Form No. 05-3/BK-QTT-TNCN - Detailed list of employees' registered dependents.

In the event that enterprises are consolidated or merged, they must complete PIT finalization for deducted tax in advance of these changes and provide a voucher to employees for their PIT finalization at the end of the year.

Deadlines

The submission of finalization paperwork must be completed no later than 90 days from the end of the calendar year and sent to the tax office that directly manages the enterprise. In most circumstances, this is the department of taxation in the province or city that the enterprise conducts its operation; however, there may be instances where local tax offices authorize alternative state bodies to collect taxes.

Step 4: Social insurance finalization

In addition to their Vietnamese counterparts, all foreign employees working in Vietnam under labor contracts need to be included in the mandatory social insurance scheme.

Step 5: Profit remittance

Following tax finalization or the termination of investment projects in Vietnam, profits may be remitted to offshore accounts if the business has completed all financial obligations to the State of Vietnam under Vietnamese law. For enterprises whose investments are still in operation within Vietnam, profits may only be remitted in the event that the FOE in question has not accumulated losses.

Deadlines

In the event that an FOE has completed tax finalization, the relevant tax office must be notified of any plan to remit profits at least seven working days before the scheduled transfer or remittance.

Compliance is crucial

Companies are advised to double-check their accounting system, taking care to spot possible VAS non-compliance issues. There have been recent reports that some provincial tax authorities cite VAS non-compliance as a basis for collecting additional tax and recovering paid VAT refunds. In addition, tax authorities can penalize companies for VAS non-compliance through the disallowance of input VAT credits and withdrawal of CIT incentives.

All foreign-invested entities are required to have their annual financial statements audited by an independent auditing firm.

Organizations are required to have a chief accountant. An acting chief accountant is allowed in the first year of operation. Annual financial statements must be approved by the chief accountant and the legal representative.

Audited financial statements and tax finalization filing must be done no later than the last day of the third month from the end of each financial year. After fulfilling these obligations and giving notice to local managing tax offices at least seven working days in advance, foreign investors may remit profits abroad.

Decree 5 on internal audit

The government issued Decree 05/2019/ND-CP on internal audit (IA) in Vietnam, which came into effect on April 1, 2019.

The new decree applies to state-owned authorities, public service organizations, as well as private listed companies to implement and adopt IA practices.

Tax Declaration and Finalization Timeline for a Fiscal Year (F/Y)*

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar

Monthly declaration
(20th day after month end)

Quarterly declaration
(30th day after quarter end)

Annual declaration
(30th day after F/Y end)

Annual finalization
(90th day after F/Y end)

FOE Compliance Procedures

1. Audit
2. CIT Finalization
3. PIT Finalization
4. Social Insurance Finalization
5. Profit Remittance

Document Checklist

	Form	FOEs
☐	Form No. 04-CS/SXK	Report on Production and Business Activities
☐	Form No. 04-CD/GVGL	Report on Charter Capital Contribution
☐	Form No. 03/TNDN	CIT Finalization Statement
☐	Form No. 05/QTT-TNCN	PIT Finalization Statement
☐	Form No. 05-1/BKQTT-TNCN	Detailed list of taxable income and deductions from salary of individuals subject to progressive tax rates
☐	Form No. 05-2/BK-QTT-TNCN	Detailed list of taxable income of individuals who are subject to direct tax rates
☐	Form No. 05/3/BK-QTT/TNCN	Detailed list of employees' registered dependents

The move is in line with international best practices, enhancing transparency and effectiveness in corporate governance.

This is especially commendable as Vietnam looks to attract greater foreign investment.

Organizations that need to comply with the new Decree

Most organizations are unlikely to be affected unless they are listed, in partnerships with state-owned companies, or provide internal audit services.

However, we specifically list the organizations that are affected below:

1. Ministries, government agencies;
2. People's Committees (local administrative body) of cities and provinces as well as public service units;
3. State-owned public service units (including those that set aside US$858,000 (20 billion VND) per year for the total fund of wages, salaries, allowances, and hire at least 200 employees);
4. Enterprises, including listed companies and organizations, with 50 percent of their charter capital held by the state; and
5. Organizations and individuals conducting IA activities.

Those subject to the decree are required to complete all the necessary preparations within 24 months from April 1, 2019 – that is from April 1, 2021 – to conduct IA activities as prescribed in the decree.

While the decree is not specific to what types of internal audits are required, its purpose is to encourage companies to adopt robust systems of internal control and risk management.

Companies that need to create an IA committee reports to the Board of Directors (BoD) or Board of Supervision (BoS) and Board of Management (BoM) in the organization or company. The aforementioned organizations and companies will need to appoint a Head for IA of the committee. In addition, the appointment and salary of the Head of the IA committee should not be under the BoM's authority.

While the decree does not spell out the job description of the Head of IA, companies should clearly define the criteria for competence, expertise, and skills when recruiting the Head of IA in line with the requirements of the business.

In addition, internal auditors must be independent, objective, and without any conflict of interest. Internal auditors must also have three to five years of experience, an understanding of laws and business operations of audited units, and be able to analyze data with knowledge and skills related to IA. Auditors should also know about IT audit and industry operations.

How organizations can stay compliant

The new law states that if the IA department does not have sufficient resources with the required knowledge and experience, organizations can consider outsourcing or co-sourcing IA to a professional services firm.

As mentioned earlier, the Ministry of Finance (MoF) is responsible for setting rules on the application of IA. However, in the absence of specific requirements, companies should adopt international IA standards, such as those set by the Institute of Internal Auditors (IIA), so long as they don't oppose the Decree.

Firms are not required to have an independent assessment by a third party (such as a professional services firm) but can use them to conduct the assessment or use such a service to develop criteria for it.

While there is no detailed guidance to develop an annual IA plan, executive IA engagement, and reporting, organizations should understand and refer to best practices to provide guidance to internal auditors as per the regulations. Further, as with any new decree, the MoF is likely to come up with more specific documents listing out the requirements to comply with the new regulations.

A Roadmap to IFRS

International Financial Reporting Standards (IFRS) are global accounting standards issued and regulated by the International Accounting Standard Board (IASB) to guide the preparation and presentation of financial reports. Vietnam uses IFRS as a basis for its own system, the VAS, yet there are key differences between the two.

Pritesh Samuel
Author

As all foreign and local companies operating in Vietnam are obliged to conform to VAS, foreign investors should be well aware of unique fundamental characteristics of VAS to fully comprehend compliance requirements and make informed investment decisions.

Vietnam's government currently has 26 VAS accounting standards based on IFRS. To provide guidance for local and foreign enterprises in Vietnam on these standards, the MoF recently issued Circulars, No. 200/2014/TT-BTC and No. 202/2014/TT-BTC, which enhance the comparability and transparency of corporate financial statements and bring the two systems closer.

Key differences between IFRS and VAS include terminology, applied methods, and presentation scope.

Below are several critical differences between the two financial reporting systems.

Presentation of financial statements

A complete set of financial statements based on IASB's International Accounting Standard (IAS) 1 includes the following:

- State of profit or loss and other income;
- State of financial position;
- Cash Flow Statement;
- Statement of Changes in Equity; and
- Notes, including a summary of significant accounting policies, financial statements and other notes.

The components of financial statements under VAS are:

- Balance Sheet;
- Income Statement;
- Cash Flow Statement; and
- Notes.

According to VAS 21, the Statement of Changes in Equity is enclosed in the Notes, rather than as a primary component of the financial statement. Furthermore, VAS does not require disclosure of management's key judgments, assumptions about the future and sources of estimation uncertainty.

Cash flow statements

Under IFRS 7, cash flow statements are based on the balance sheets from the first and final period accounting reports and can include some information from the ledger. IFRS stipulates that receivable accounts and trade payables can be separated from receivable accounts and payables on the sale of fixed assets or long-term assets; hence, cash flow from business is distinct from cash flow from financial investment.

Based on VAS 24, cash flow statements are taken from the cashbook and ledger bank deposits corresponding to the side account. VAS 24 gives guidance on setting up cash flow statements using the indirect method starting from pre-tax profits plus or minus the adjustment, including differences of payables and excluding payables related to financial investment activities.

Chart of accounts

Vietnam's Ministry of Finance issued a uniform chart of accounts for enterprises' financial statements. Circular No. 200/2014/TT-BTC introduced new accounts, including corporate restricting funds (Account 417) and prize stabilization funds (Account 357), while some are omitted or amended.

Roadmap of IFRS in Vietnam

In the future, however, VAS will be replaced by IFRS and promote international conformity in the field of accounting.

3-stage roadmap

The MoF is responsible for the introduction of IFRS in Vietnam. The MoF published a draft IFRS roadmap in March 2019 before it was submitted to the Prime Minister for approval. It was approved in March 2020 as per Decision No. 345/QD-BTC.

The roadmap divides the IFRS implementation into three stages:

Stage 1 (2019-2021)

The MoF makes necessary preparations for the implementation of the roadmap, such as the publication of the Vietnamese translation of IFRS standards, training and the preparation of guidelines for IFRS implementation. Companies that will adopt IFRS from 2022 onwards will receive special support. This remains on course.

IFRS Implementation	
Scope of IFRS application	**Status**
IFRS standards are required for domestic stock corporations.	Vietnam has not adopted IFRS standards. National standards (VSA) are required.
IFRS standards are permitted but not required for domestic stock corporations.	-
IFRS standards are required or permitted for the listing of foreign companies.	No.
The IFRS standard for SMEs is required or permitted.	No, national standards (VSA) are required.
The IFRS standard for SMEs is under review.	No.

Source: IFRS Foundation

Stage 2 (2022-2025)

The MoF selects certain pilot companies, in particular state-owned enterprises, listed companies, and (large) non-listed companies, to implement IFRS. Foreign companies can adopt IFRS for their individual financial statements on a voluntary basis.

Stage 3 (from 2025)

IFRS will be mandatory for the consolidated accounts of all state-owned companies, listed companies, and (large) non-listed companies. All other companies can adopt IFRS for their individual financial statements on a voluntary basis.

Move towards IFRS by 2025 – plan ahead

The adoption of IFRS will be mandatory for state-owned enterprises (SOEs), listed companies and large, unlisted public companies after 2025.

Trinh Duc Vinh, Deputy Director of the AAPD at the Ministry of Finance, said the application of IFRS in Vietnam should overcome the limitations of the VAS, perfecting the legal framework for accounting and increasing the transparency of financial information.

It also aims to promote corporate accountability by facilitating Vietnamese companies' access to more sources of capital and listing in the international market so that Vietnam is internationally recognized as a full-fledged market economy.

The move is significant as this is in line with international best practices, enhancing transparency and effectiveness in corporate governance.