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Transfer Pricing Updates: Global Trends, Local Changes and Compliance Strategies for 2025

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KPMG in Vietnam



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Speakers



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Agenda

01 Global trends and impact on transfer pricing

02 Recent transfer pricing developments in Vietnam

03 Q&A



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Global trends and impact on transfer pricing

01



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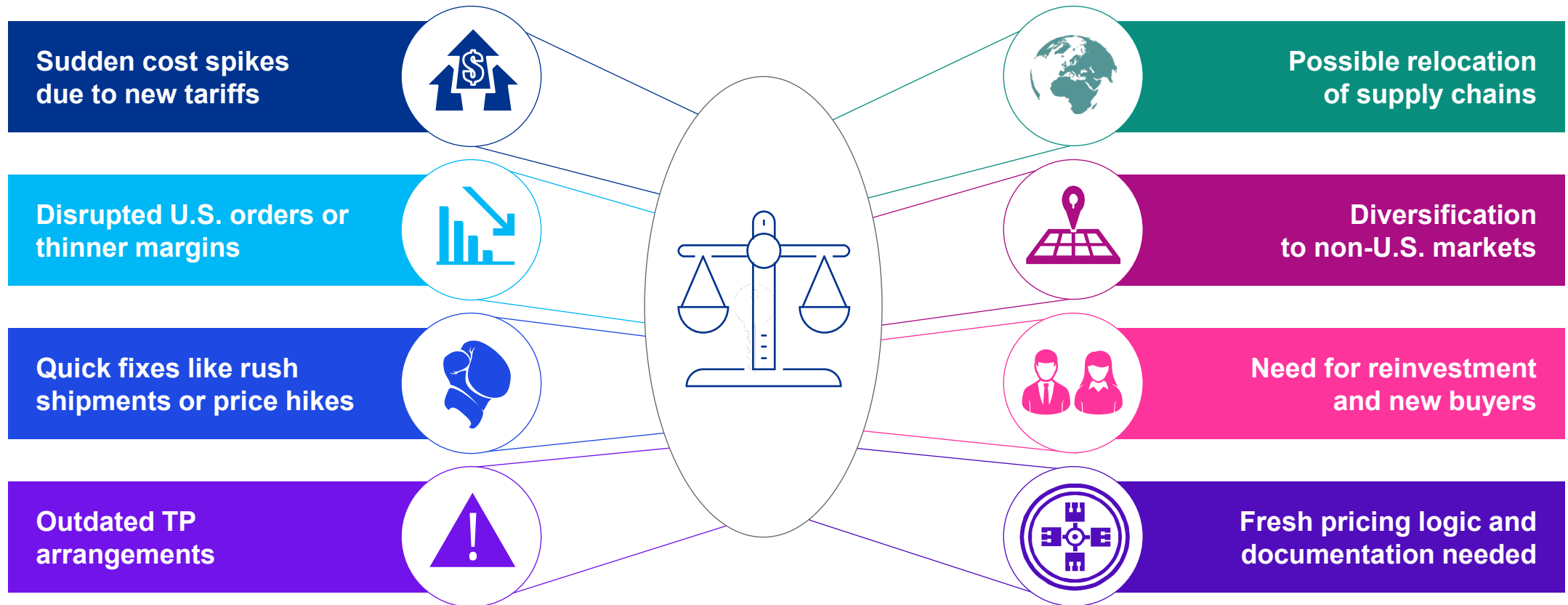
**As global trade tensions rise,
Vietnam's export-oriented
economy faces fresh
pressure from a wave of
tariff increases...**



Short term shocks vs long terms shifts

Short-term impact

Long-term considerations



Beyond tariffs – who should bear the costs?

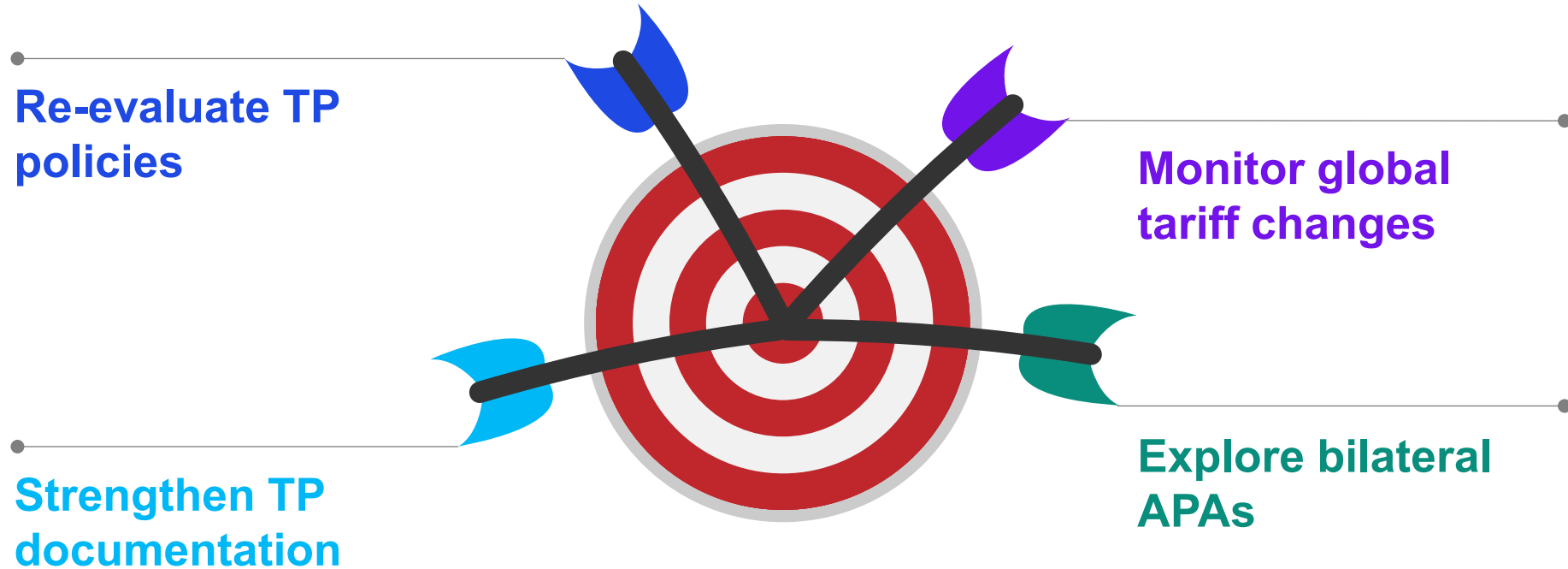
Three General Possible Scenarios:

1. Keep prices the same (U.S. distributor bears the tariffs)
2. Increase prices to customers (Tariffs are shared between U.S. distributor and customers)
3. Adjust transfer pricing and increase customer prices (Tariffs are shared among the manufacturer, U.S. distributor, and customers)

Assumption: US tariff 20%

Item	Baseline (No Tariffs)			Scenario A: No price change, US Co bears tariffs			Scenario B: 10% price increase to end customers in the US			Scenario C: Price increase + adjusted transfer price		
	VN Co	US Co	Consolidate	VN Co	US Co	Consolidate	VN Co	US Co	Consolidate	VN Co	US Co	Consolidate
Unit Price	8	10	10	8	10	10	8	11	11	7.5	11	11
Sales Volume	100	100	100	100	100	100	95	95	95	95	95	95
Revenue	800	1,000	1,000	800	1,000	1,000	760	1,045	1,045	712.5	1,045	1,045
Variable Costs	500	800	500	500	800	500	475	760	475	475	712.5	475
Fixed Costs	60		60	60		60	60		60	60		60
Tariffs					160	160		152	152		142.5	142.5
Gross Profit	240	200	440	240	40	280	225	133	358	177.5	190	367.5
Gross Profit Margin	30%	20%	44%	30%	4%	28%	30%	13%	34%	25%	18%	35%
Operating Expenses	170	150	320	170	150	320	170	150	320	170	150	320
Operating Profit	70	50	120	70	-110	-40	55	-17	38	7.5	40	47.5
Operating Profit Margin	8.8%	5.0%	12.0%	8.8%	-11.0%	-4.0%	7.2%	-1.6%	3.6%	1.1%	3.8%	4.5%

Practical considerations for Vietnamese exporters



Recent transfer pricing developments in Vietnam

2022

Changes in Transfer pricing related regulations (1/3)

Decree 20/2025/ND-CP

Decree 20 was issued in February 2025 to amend and supplement certain provisions of Decree 132/2020/ND-CP and applies from tax year 2024

01

Amended definition of related party relationship

02

Expanded responsibilities of the State Bank of Vietnam

03

Updated TP Declaration Forms

04

Transitional guidance related to interest deductibility cap

Changes in Transfer pricing related regulations (2/3)

Vietnam signed MCAA for the exchange of CbCR

- On 3 January 2025, Vietnam signed the Multilateral Competent Authority Agreement (MCAA) for the exchange of Country-by-country Report (CbCR).
- As of 3 June 2025, according to OECD, Vietnam has activated exchange relationships for CbCR with 31 countries.
- It is expected that Vietnam will continue activating more bilateral exchange relationships with other jurisdictions and fulfilling relevant requirements so that the automatic exchange mechanism can formally commence.
- Note that all prevailing regulations related to CbCR compliance requirements remain unchanged.

Changes in Transfer pricing related regulations (3/3)

New changes to the APA program

Current state

- In June 2019, the National Assembly issued Law #38/2019/QH14 on Tax administration, which provides an overall legal framework for the APA program, with 2 key requirements:
 - Databases used for APA benchmarking need to be “legalized”
 - Bilateral / multilateral APAs are treated as “international treaties / agreements” (= required PM’s approval)
- Subsequently, in November 2020, Decree 126/2020/ND-CP (Decree 126) providing further guidance for the APA program was issued, and its guiding Circular 45/2021/TT-BTC (Circular 45) was issued in June 2021.
- To date there are roughly 20 pending APA applications lodged with the General Department of Taxation (GDT).

Future state

- In June 2025, the Government issued Decree No. 122/2025/ND-CP to delegate the signing and approval of bilateral and multilateral APA to Minister of Finance.
- In addition, there is a proposing draft amendment to Tax Administration Law, including a proposal to remove the 2 requirements mentioned earlier (e.g., legalized databases and treatment as international treaties), which is expected to be helpful in expediting the processing of APA applications in the coming years.

Restructure of Tax authority in Vietnam

- To date, there has been massive reorganization within Vietnam's Tax authority.
- The organization of Vietnam's Tax authority has now been streamlined, and changes in tax management processes have been made, aiming to increase the overall efficiency of the country's tax administration.
- In line with this development, it is expected there will be an increase in the scale and extent of tax / transfer pricing audits.
- We have recently observed the resume of tax/TP audits by the “new” local authority, with a presumably focus on “high-risk” entities.



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Q&A

03



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Thank you!



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