

Related-Party Transactions at Risk of Tax Inspection

Decree No. 132/2020/ND-CP

& its amendments and supplements under Decree No. 20/2025/ND-CP



Our Services

Preparing transfer pricing documentation

Transfer pricing advisory services

Transfer pricing planning and review

Regulatory compliance support

01

Royalty Fee

Royalty fees are payments made by the licensee to the licensor for the right to use the brand, proprietary formulas, business system, and operational procedures.

02

Management Fee

Management fees refer to charges paid by a subsidiary or related party to the parent company or group entities in exchange for access to management services, operational support, and other professional or administrative functions rendered by the parent company.

03

Allocated global marketing expenses from the parent company

These are expenses incurred by the parent company for global or regional brand promotion, marketing, and communication activities, which are subsequently allocated to subsidiaries based on a specified allocation method

01 ROYALTY FEE



ASSOCIATED RISKS

- **Inappropriate transfer pricing**
Royalty fees higher than the usual market rates, without comparative analysis against independent parties.
- **Not in accordance with the economic substance**
The company incurs fees despite not genuinely utilizing the brand.
- **Profit shifting abroad**
A Vietnamese enterprise reports profits, but due to high royalty fee expenses recorded, the taxable profit is shifted out
- **Complex nature of the transaction**
Related to intangible assets, which are difficult to value and prone to conflicts in analysis



MEASURES

- ✓ Explicit contracts with complete legal registration.
- ✓ Complete transfer pricing documentation with market price benchmarking.
- ✓ Complete evidence retention supporting transaction value.
- ✓ Coordination of Audit, Tax, and Legal to assess fee appropriateness.



02 MANAGEMENT FEE



ASSOCIATED RISKS

- **Not in accordance with economic substance**
Management fees are recorded without clear evidence that the services were actually provided.
- **Inappropriate transfer pricing**
High management fees without third-party cost comparison.
- **Service duplication**
Parent charges management fees for services performed by the subsidiary.
- **Inappropriate allocation**
Management fees allocated by the parent company without clear basis.



MEASURES

- ✓ Specific management service contract (scope & fee calculation method).
- ✓ Retention of evidence supporting service delivery.
- ✓ Reasonable and consistent allocation basis.
- ✓ Complete transfer pricing documentation including market price benchmarking.



03 ALLOCATED GLOBAL MARKETING EXPENSES FROM THE PARENT COMPANY



ASSOCIATED RISKS

- **Not serving a business purpose**
The Vietnamese entity does not derive clear benefits from the global advertising activities
- **No evidence of allocation**
No documentation supporting the cost calculation method or allocation criteria.
- **Not comparable to independent transactions**
No justification for allocation compared to independent parties.
- **Duplicated advertising expenses**
The subsidiary paid for local advertising but was still allocated additional costs.



MEASURES

- ✓ Well-defined contracts and allocation arrangements.
- ✓ Maintain detailed evidence of the transaction.
- ✓ Complete transfer pricing documentation including market price benchmarking.



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CONCLUSIONS AND RECOMMENDATIONS

Transactions involving royalty fees, management fees from the parent company, and global advertising and marketing fees are classified as high transfer pricing risk.

Periodic review

Identify arising related-party transactions.

Prepare complete documentation

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Retain evidence

Demonstrate that the transaction is genuine and reasonable.

Comparability analysis

Market prices with independent enterprises

