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- The Law on Tax Administration No. 38/2019/QH14 passed by the National Assembly on 13rd June 2019 effective 1st July 2020.



I. CORPORATE INCOME TAX

Official letter No. 4376/CT-TTHT dated 5th May 2020 issued by Ho Chi Minh Tax Department about recording deductible expense in case of paying cash to employee's for company occasions.

According to this Official Letter, in case of the Company incurred direct expenditures on the employees' welfare (expenditures on employees' occasions who do not attend to annually Company's occasion under the Collective bargaining agreement due to the disease), if the total expenditures incurred in the tax year do not exceed the practical average 1 month's salary in the fiscal year, the Company shall base on payment vouchers to employees and list of employees received cash for occasions according to Company's policies with signatures of employees to consider it as deductible expense when determining CIT.

Official Letter No. 44403/CT-TTHT dated 1st June 2020 issued by Ha Noi Tax Department on PIT and CIT policies for employees' expenses during the Covid-19 epidemic.

According to this Official Letter, Hanoi Tax Department allows the Company to have expense which including purchasing medical masks, antiseptic water, protective accessories and testing for infectious diseases for employees to prevent Covid-19 virus infection. Those are direct payments to employees besides the agreed salary, bonuses, and welfare in order to improve the employees' material and spiritual life shall be determined as deductible expenditure when preparing CIT if it meets conditions of Clause 1, Article 4 of Circular 96/2014/TT-BTC and the total amount of welfares do not exceed 01 (one) practical average 1 monthly's salary paid in the tax year of the enterprise.

Regarding PIT, if the above expenses mention clearly the name of the recipients, this expense shall be subjected to PIT. In case of the above expenses do not specify clearly the recipients and pay for collective of employees so expenses shall not be included in taxable income of PIT as prescribed.

Decree No. 68/2020/ND-CP dated 24th June 2020 issued by the Government amended for deductible loan interest cost for enterprises engaged in transfer pricing.

This Decree amended Clause 3, Article 8, Decree No. 20/2017/ND-CP about deductible loan interest cost for enterprises engaged in transfer pricing, in which:

1. For the tax period of 2019 and subsequent years:

1.1. Total deducted loan interest (excluding deposit interests and lending interests) incurring during fiscal year can not exceed 30% of total net profit generated from business activities plus loan interest costs (excluding deposit interests and lending interests) and depreciation and amortization arising within that period when preparing CIT finalization.

The old Decree is setting the limitation at 20%.

1.2. The undeducted loan interest can be carried forward to the next tax period, as long as the total deducted loan interest in that period and not exceeding 30% according to this Decree. The loan interest can only be carried forward for a maximum consecutive period of 05 years.

The above content shall enter into force from 24th June 2020 and apply from the tax period of 2019 and subsequent years.



2. For the tax period of 2017 and 2018.

2.1 This Degree takes effect of retroaction for limiting loan interest expenses not exceeding 30% for tax period of 2017 and 2018.

To be specific, for CIT finalization in 2017 and/or 2018, taxpayers shall make updated CIT finalization for determining loan interest costs and CIT amounts payable (if any).

The deadline for submitting the updated CIT finalization is: before 01st January 2021.

2.2 If the sum of CIT and late payment interests is higher than the re-determined amount of CIT, the difference shall be offset against the CIT payable in 2020. The remaining amount after offset can be offset against the CIT amounts payable in the following years but not more than 05 years from the year 2020.

II. PERSONAL INCOME TAX

Official Letter No. 2546/TCT-DNNCN dated 23rd June 2020 issued by General Tax Department on guideline the implementation of Resolution No. 954/2020/UBTVQH14 of the National Assembly, issued on 2nd June 2020 about personal deductions when calculating PIT.

According to Resolution 954/2020/UBTVQH14, the personal deductions according to in Clause 1, Article 19 of Law on PIT in 2007 (under amended on Personal Income Tax Law 2012) is changed as follows:

- Personal deduction: 11 million VND/month (Old level: 9 million VND/month);
- Deductions for each dependant: 4,4 million VND/month (Old level: 3,6 million VND/month).

Taxpayers shall declare and temporarily pay PIT from wages and salaries at the new level of personal deductions since:

- The temporary PIT declaration period on July 2020 for those who declare tax monthly.
- The temporary PIT declaration period on Quarter 3/2020 for those who declare tax quarterly.

The new level of personal deduction will apply from the PIT calculation period of 2020.

In case of the months and quarters in the tax period 2020, the taxpayer temporarily paid PIT from wages and salaries at the old personal deduction, the taxpayer shall re-determine the payable PIT amount of the annual tax period 2020 at the new personal deduction when finalizing PIT in 2020.



III. FOREIGN CONTRACTOR TAX

Official Letter No. 37026/CT-TTHT dated 18th May 2020 issued by Ha Noi Tax Department about Foreign Contractor Tax (FCT) on international forwarding and warehousing services from abroad to Vietnam.

According to this Official Letter, in case the Company signs a contract with an overseas organization (without a permanent establishment in Vietnam) to perform services provided and consumed abroad or to perform international forwarding and warehousing services from abroad to Vietnam are not subject to contractor tax as prescribed in Article 2, Article 12 and Article 13 of Circular No.103/2014/TT-BTC.

However, attention to the method of determining FCT on services such as international forwarding and warehousing services as follows:

- For services incur from abroad to Vietnam (whether the consignor in abroad or the consignee in Vietnam paid the service charge), the amount of money received by the foreign company is not revenue subjected to FCT.
- For services incur from Vietnam to abroad (whether the consignor in Vietnam or the consignee abroad paid the service charge), the whole revenue is received by the foreign contractor excluding international transport charge payable to the shipping company is revenue subjected to FCT.

IV. TAX ADMINISTRATION

The Law on Tax Administration No. 38/2019/QH14 passed by the National Assembly on 13rd June 2019 effective 1st July 2020.

Compared to the Law on Tax Administration 2006, the Law on Tax Administration 2019 supplements and changes some points as follows:

- Addition the rights of taxpayers such as: be informed of tax refund schedule, not penalized if comply with guidelines by the competent authorities, access all electronic records ...
- Taxpayers must apply for taxpayer registration and shall be issued with tax identification numbers by tax authorities before beginning business operations or incurring amounts of taxable to the State Budget.
- Change deadlines for submission of tax declaration dossiers.
 - + For taxes declared monthly: the 20th of the month succeeding the month in which tax is incurred.
 - + For taxes declared quarterly: the last day of the first month of the succeeding quarter.
 - + For taxes declared annually: the last day of the first month from the end of calendar year or fiscal year.
 - + Tax finalization: the last day of the 3rd month from the end of the calendar year or fiscal year.
- Particularly for annual PIT statements prepared by income earners: the last day of the 4th month from the end of the calendar year.
- In case the tax declaration dossier submitted to the tax authority is erroneous or inadequate, supplementary documents may be provided within 10 years from the deadline for submission of the



erroneous or inadequate tax declaration dossier but before the tax authority or a competent authority announces a decision on tax document examination.

- Supplementation case of tax exemption: Individuals whose annual personal income tax payable on salary or wage is VND 50,000 or smaller.

- Law on electronic invoices. Regulations on electronic invoices and documents is effective from 1st July 2022.

**Các từ viết tắt**

CIT	Corporate Income Tax	CTLD	Joint Venture Company
PIT	Personal Income Tax	Ltd.	Limited
VAT	Value-added Tax	PC	People' Committee
FCT	Foreign Contractor Tax	MOF	Ministry of Finance
FA	Fixed Asset	MOT	Ministry of Trade
GTD	General Department of Taxation	MOLISA	Ministry of Labor, Invalid and Social Affairs
EPE	Export Processing Enterprise	DPI	Department of Planning and Investment
EPZ	Export Processing Zone	OL	Official Letter
ALU	Agricultural Land Use	SBV	State Bank of Vietnam
IZ	Industrial Zone	FC	Foreign Contract



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