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I. PERSONAL INCOME TAX

Official Letter No. 2014/TCT-DNNCN dated 18th May 2020 issued by the General Tax Department on expenses for a temporary residence card, visa for foreign labors.

According to this Official Letter:

- In case the expenses for making and extending temporary residence card or visa for foreign employees are paid by the employers for the foreign employees being eligible to work in Vietnam are the responsibility of the employer, these expenses are not included in the taxable income from salaries and wages of foreign employees.
- In case of visa allowance for employees going abroad under business trip, that is regulated in financial policy or internal policy of the organization satisfied Item đ.4, Point đ, Clause 2, Article 2 of Circular No. 111/2013/TT-BTC dated 15th August 2013 issued by the Ministry of Finance, shall not be included in taxable income of employees exceeding allowance not regulated in financial and internal policy included in taxable income of employees.
- In case the expenses for making temporary residence cards, visa for foreign employees paid by the Company on behalf of the employees are benefits of the employees, these amounts are included in taxable income from salaries and wages of foreign employees.

Official Letter No. 2455/CT-TTHT issued by Bac Ninh Tax Department and Official Letter No. 7950/CT-TTHT issued by Dong Nai Tax Department guiding on personal deductions when PIT overlap finalization in 2019 - 2020.

These two Official Letters guided about PIT finalization of residents in Vietnam for 12 consecutive months (from August 2019 to July 2020).

According to the Bac Ninh Tax Department, the personal deduction from Jan 2020 is determined according to the provisions of Resolution No. 954/2020/UBTVQH14. In case, when preparing the PIT finalization dossier, the tax declaration support system (HTKK software version 4.4.3 or higher) has not updated the new personal deduction, the taxpayer can submit to the Tax Authority Administration

However, according to the Dong Nai Tax Department, in the first fiscal year (from August 2019 to July 2020), individuals still apply the old personal deduction when finalization. From the second fiscal year (from January 2020 to December 2020), the individual may apply a new personal deduction rate.

Official Letter No. 3275/TCT-DNNCN dated 11th August 2020 issued by the General Tax Department permitting the deduction of the compulsory disaster prevention contribution into taxable incomes.

According to this Official Letter, in case of employees contribute to the Natural Disaster Prevention Fund established under the provisions of Decree No. 94/2014/ND-CP dated 17th October 2014 issued by the Government, the above contribution from salaries or wages are deducted into taxable incomes.

II. FOREIGN CONTRACTOR TAX

Official letter No. 66768/CT-TTHT dated 17th July 2020 issued by Ha Noi Tax Department about FCT declaration for capital transfer activities of foreign business organization

According to this Official Letter, in case of Company X (foreign contractor) transfers all capital contribution in Company Y (Vietnamese company) for Mr. Z (foreign individual):



- About VAT: Capital transfer activities that are not subjected to VAT according to Point d, Clause 8, Article 4, Circular No. 219/2013/TT-BTC.
- About CIT: Base on our analyzation about guidance at legal documents cited according to this Official Letter, CIT declaration for capital transfer activities of foreign contractor is implemented as below:
 - Mr. Z (the capital transferee) is responsible to determine, declare, deduct and pay on behalf of foreign organization the CIT payable amount (*Point c, Clause 2, Article 14, Circular 78/2014/TT-BTC*)
 - The deadline for tax submission:
 - + Within 10 (ten) days from the day on which the competent authority approves the capital transfer, or
 - + Within 10 (ten) days from the day on which the transfer date agreed by all parties in the transfer contract (if the transfer is not subject to approval).
- A declaration dossier consists of:
 - + A declaration of CIT on capital transfer (form 05/TNDN enclosed herewith Circular 156/2013/TT-BTC);
 - + A photocopy of the transfer contract. If the transfer contract is written in a foreign language, it must be translated into organization, which contains at least the information about: the transferor, the transferee, time of transfer, transfer contents; rights and obligations of every party, contract value, deadline, method of payment and currency;
 - + A photocopy of the decision on approval for capital transfer made by a competent authority (if any);
 - + A photocopy of certificate of capital contribution;
 - + Original documents of expenditures.
- Places of submission: Tax declarations shall be submitted to the tax authority where the foreign transferor applied for tax registration.

(Point b, Clause 7, Article 16, Circular No.151/2014/TT-BTC)

Official letter No. 2099/CT-TTHT dated 27th Jul 2020 issued by Long An Tax Department guiding FCT declaration for machinery and equipment, software and machine installation services.

Pursuant to this Official letter, in case the Company intends to sign 2 below contracts with foreign contractors:

Contract 1: Contract of importing industrial control computer and control software with Company A located in Germany. This contract stipulates that Company A provides only industrial control computers and control software, delivers on CIF terms and not any other accompanied service.

Contract 2: Contract of industrial computer system installation service with company B established in Malaysia.

(Company A and B are under the same Group but 2 independent companies)

Company A and B are subjected to FCT because:



1. Contract 1:

- Importing industrial control computers are not subjected to FCT:
Because the contract stipulates that the delivery conditions are at Vietnam's border gate and Company A does not perform any services in Vietnam related to the above shipment.
- Import control software: It is subjected to FCT
 - o CIT: 10%
 - o VAT: software is not subjected to VAT

2. Contract 2:

- Computer system installation service:
 - o CIT: 5%
 - o VAT: 5%

- In case Company B assigns experts to Vietnam to perform services, it has to declare and pay PIT during the time experts working in Vietnam.

(Including income paid by foreign companies and payments on behalf of experts by Vietnamese company).

Official Letter No. 3026/TCT-KK dated 29th July 2020 issued by The General Tax Department about declaring FCT for construction and installation activities.

According to this official letter, the Vietnamese party shall withhold and pay tax on behalf of the foreign contractor in case of the contractor do not meet one of the conditions stated in Article 8, Section 2, Chapter II of Circular No. 103/2014/TT- BTC:

1. The contractor/subcontractor has a permanent establishment in Vietnam or the contractor/subcontractor is a resident of Vietnam;
2. The period of business operation in Vietnam under the main contract or subcontract is 183 days or longer from the effective date of the contract.
3. The contractor/subcontractor applies Vietnam's accounting policy, tax registration and taxpayer ID number (TIN) have issued by a tax authority.

For construction and installation contracts, the tax declaration dossiers and tax finalization dossiers shall be submitted to the tax department or the tax sub-department issued by the director of the local tax department where construction and installation activities took place prescribed in Clause 3, Article 20 of Circular No. 156/2013/TT-BTC of the Ministry of Finance.

II. CORPORATE INCOME TAX

Official Letter No. 2091/CT-TTHT dated 27th July 2020 issued by Long An Tax Department on depreciation of fixed assets to be relocated from the branch to the head office.

In case the company relocates all assets of the dependent accounting branch to the head office for installing to continue serving production and business activities and the company is monitoring, depreciate of these assets according to regulations, the company is allowed to depreciating for the remaining period according to the accounting books (if the depreciation time is available).

In case, in the process of relocation and installation of fixed assets, if there arises investment in upgrading fixed assets or dismantling some parts of fixed assets that are monitored, managed according to standards of a tangible fixed asset:



- The company must make a record clearly stating the grounds for change,
- Determined the changes of historical cost, book value, accumulated depreciation, useful life of fixed assets and recorded in accordance with Clause 4, Article 4, Circular. 45/2013/TT-BTC dated 25th April 2013.

In addition, expenses related to the dismantlement and transportation of fixed assets from the branch to the head office are deductible expense when determining taxable income if they meet the conditions specified in Article 4. Circular 96/2015/TT-BTC.

Official Letter No. 7955/CT-TTHT dated 24th August 2020 issued by Dong Nai Tax Department on non-deductible expenses recognition for PIT expenses arising from global income.

According to this official letter, in case the Company paid salaries and wages including PIT (Gross salary) for foreigners as signed labor contract between the two parties, the PIT arising from the above taxable income paid by the company shall not be deducted when determining CIT.

In case the salary or wage does not include PIT (NET salary) as signed labor contract between the two parties, the PIT arising from this taxable income will be calculated as deductible expenses when determining CIT.

However, if the company paid PIT on behalf of a foreigner which arising from taxable income paid by the foreign company (the parent company), this expense is not deductible when determining taxable income.

Official Letter No. 7952/CT-TTHT dated 24th August 2020 issued by Dong Nai Tax Department on depreciation of fixed assets upon relocation of factories

This Official Letter guides a number of transactions related to fixed asset depreciation as follows:

1. In case the Company expires the factory lease term and relocates to another location, for fixed assets attached to the factory:

- If the Company can dispose the fixed assets, the Company shall comply with the instructions in Clause 1, Article 8, Circular 45/2013/TT-BTC.

- If the Company can not dispose fixed assets, the Company still monitors and depreciates them, but is not recognized as deductible expenses when calculating corporate income tax.

- In case the Company is able to relocate fixed assets and continue to use fixed assets in production and business activities, the Company is allowed to depreciate fixed assets during the period of suspension to relocate, provided that the time of relocation is below 12 months.

2. The accelerated depreciation method only applies to technology innovating enterprises. Companies whose fixed assets are being used for production and business activities and have tend to change factory locations are not allowed to apply this method.

3. In case the Company changes the time of fixed asset depreciation differently from the time frame of fixed asset depreciation specified in Appendix 1, Circular 45/2013/TT-BTC, the Company must perform the following tasks:

Step 1: Prepare a plan to change the time of fixed asset depreciation



Step 2: Submit the plan to the Department of Finance

Step 3: After being approved by the Department of Finance, the Company notifies to Tax Department

III. OTHERS

Official Letter No. 3086/TCT-CS dated 4th August 2020 issued by the General Tax Department guiding tax payment deferral under Decree No. 41/2020/ND-CP

1. Tax payment extension for foreign contractors

- In cases of the foreign contractor directly declares and pays tax to the Tax Authority and satisfies the provisions in Article 2 of Decree No. 41/2020/ND-CP, it is eligible for tax payment extension.

- In cases of organizations or individuals doing business in Vietnam are buyers withhold tax on behalf of foreign contractors, tax amounts paid on behalf of foreign contractors are not subjected to tax payment extension.

2. Extension of corporate income tax payment

The CIT payable amount according to the finalization of the tax period of 2019 is extended up to 20% of the total tax payable for the whole year.

The estimated CIT amount for in Quarter 1 and Quarter 2 of the tax period 2020 is extended excluding the CIT from real estate transfer has been declared and paid when arising.

3. Small enterprises and Micro-sized enterprises identification

If an affiliated unit of a Small Enterprises and Micro-sized Enterprises is eligible for tax deferral, the attached unit shall declare the average number of employees of turnover and capital source according to the enterprise's declared data.

4. Send the documents request for extension of tax payment and land rent to the Tax Authority

In cases of the taxpayer detects that the documents request for deferral of tax payment and land rent sent online to the tax authority is error, the taxpayer shall send the documents request for tax deferral and additional land rental in documents and at the same time explaining the changed information to the Tax Authority Administration.

**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	MOTt	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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