

TAX ON BUSINESS AND INDIVIDUALS WITH IMPACTS OF COVID-19

25 November 2021

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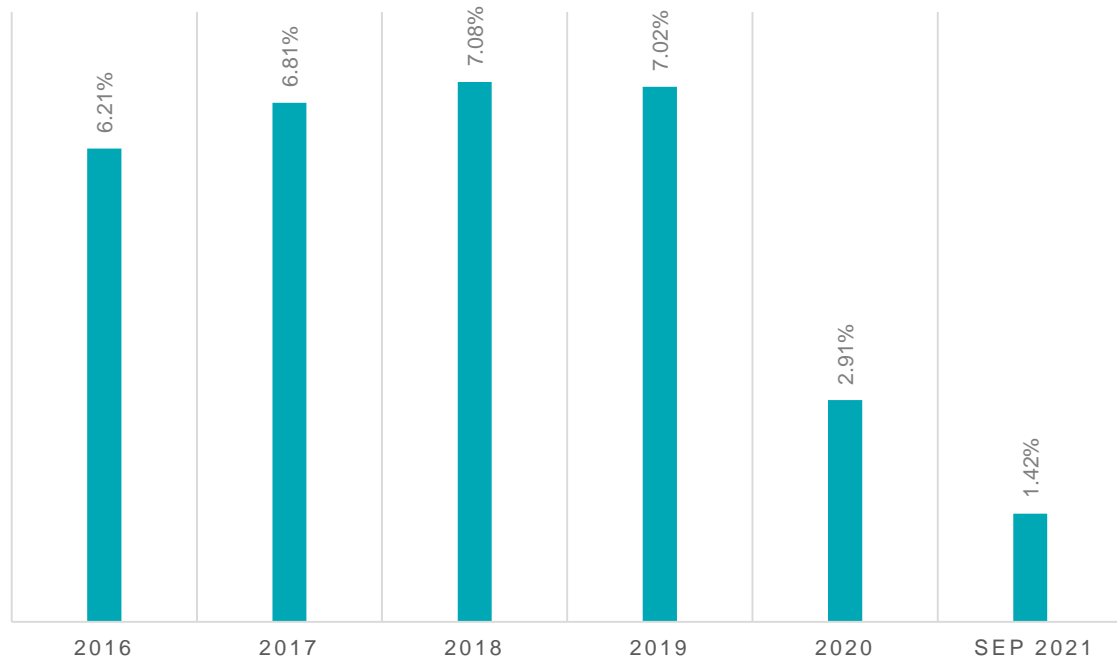
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MACRO-ECONOMIC PERFORMANCE



GDP growth rate



Source: GENERAL STATISTICS OFFICE

Quarter III-2021
GDP growth rate

-6.17%
compared to
the same
period last
year

FDI status

(1 Jan - 20 Oct 2021)

TOTAL FDI – USD23.74B ▲ 1.1%

- 1,375 NEW INVESTMENT PROJECT – **USD13.02B** ▲ 11.6%
- 776 AMENDED INVESTMENT PROJECT – **USD7.09B** ▲ 24.2%
- 3,063 SHARES PURCHASING TRANSACTIONS – **USD3.63B** ▼ 40.6%



FDI IMPLEMENTATION – USD15.15B ▼ 4.1%

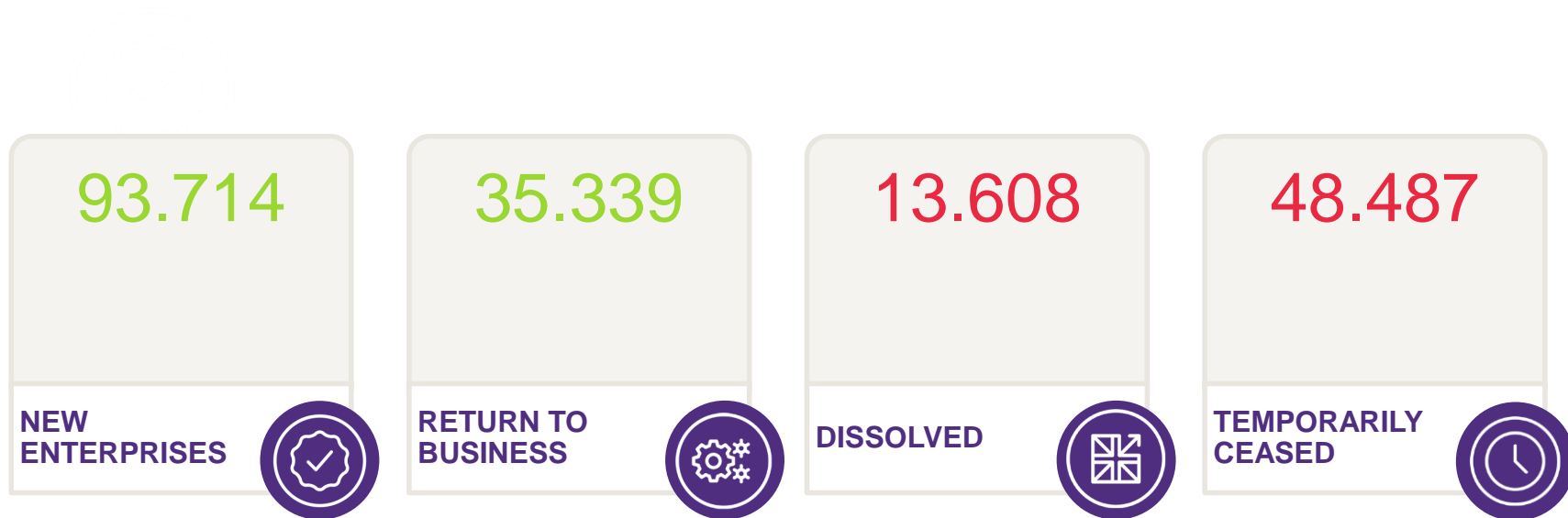
- MANUFACTURING: **USD10.94B – 72.2%**
- REAL ESTATES: **USD2.08B – 13.7%**
- ELECTRICITY PRODUCTION & DISTRIBUTION: **USD1.15B – 7.6%**
- OTHERS: **USD980.3M – 6.5%**



Source: GENERAL STATISTICS OFFICE

Business registration

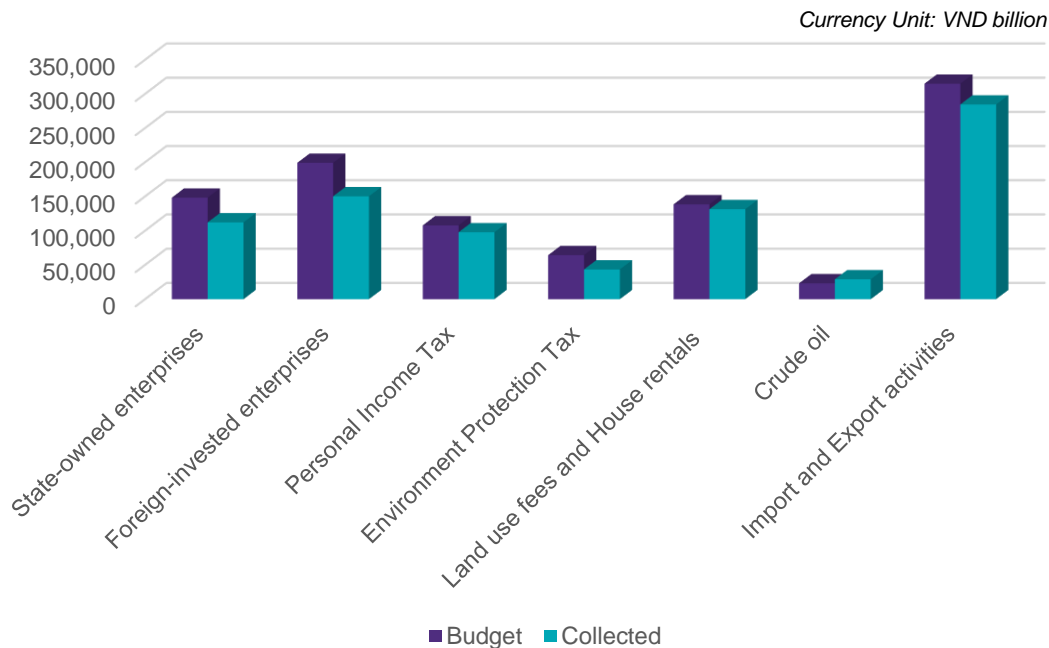
(10 months of 2021)



Source: GENERAL STATISTICS OFFICE

State budget collection

(First 9 months of 2021)



State Budget
balance for 9
months is
guaranteed
(surplus VND
46,930 billion)

Source: MINISTRY OF FINANCE



TAX SUPPORT MEASURES

Tax payment deferrals

Decree 52/2021/ND-CP dated 19 Apr 2021

Year	CIT	VAT (not VAT import)	Land rentals	Tax of business household/ individuals	<u>Procedures</u>
2021	3 months for provisional payment of Quarter I and II-2021	<u>For Mar – Aug 2021</u> <ul style="list-style-type: none"> • 5 months for Mar – Jun, Quarter I and II-2021 • 4 months for Jul • 3 months for Aug 	6 months from 31 May 2021 for the 1 st period	VAT and PIT until 31 Dec 2021	<ul style="list-style-type: none"> • Submit statutory application for tax & land rent deferral on 31 Jul 2021 at the latest • Note to check on interest for late payment

Tax reduction & exemption

Resolution 406/NQ-UBTVQH15
dated 19 Oct 2021

Decree 92/2021/ND-CP
dated 27 Oct 2021

Decision 27/2021/QD-TTg
dated 25 Sep 2021

- Corporate Income Tax (“CIT”) >> 30% reduction >> (i) revenue in tax year 2021 less than VND200 billion; & (ii) decrementing revenue compared to tax year 2019.
- Value Added Tax (“VAT”) >> 30% reduction for 1 Nov to 31 Dec 2021 >> Transportation, F&B, etc.
- Exemption of late payment interest incurred in 2020 and 2021 on debts of taxes, land use levies, and land rents >> incurred losses in 2020.
- Exemption from Personal Income Tax (“PIT”), VAT, & other payable taxes incurred in the 3rd & 4th quarters of 2021 >> households and individuals doing business in districts affected by COVID-19 pandemic in 2021 >> subject to conditions and exclusive of certain businesses, e.g. software products and services, digital content products and services related to entertainment, etc.
- Land rentals >> 30% reduction for 2021 >> directly leasing land from the State under a decision or contract of a competent authority in the form of annual land lease payment (statutory application form is required). Not applied for previous years and late payment interest.

Tax return submission



- Late filing due to social distancing under the directives from the government (including both nation-wide and regional) will NOT be charged with penalty.

(Official Letters 6770/CTTPHCM-KK of HCMC TD, 29592/CTHN-KK of Hanoi TD, 207/CT-TTHT of Binh Phuoc TD, 1433/CT-KK of An Giang TD, etc.)

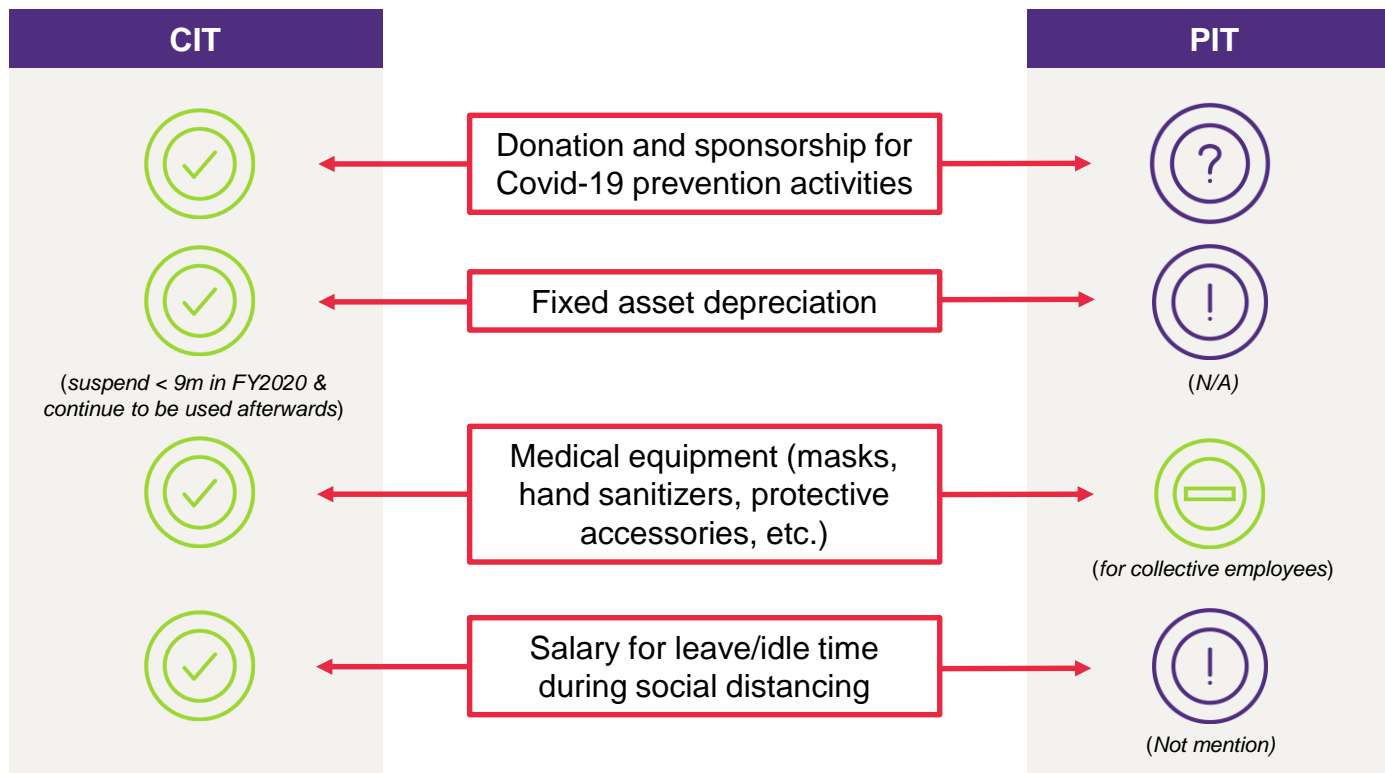
- PIT return for direct returns >> Register for conduct e-transaction with tax authority



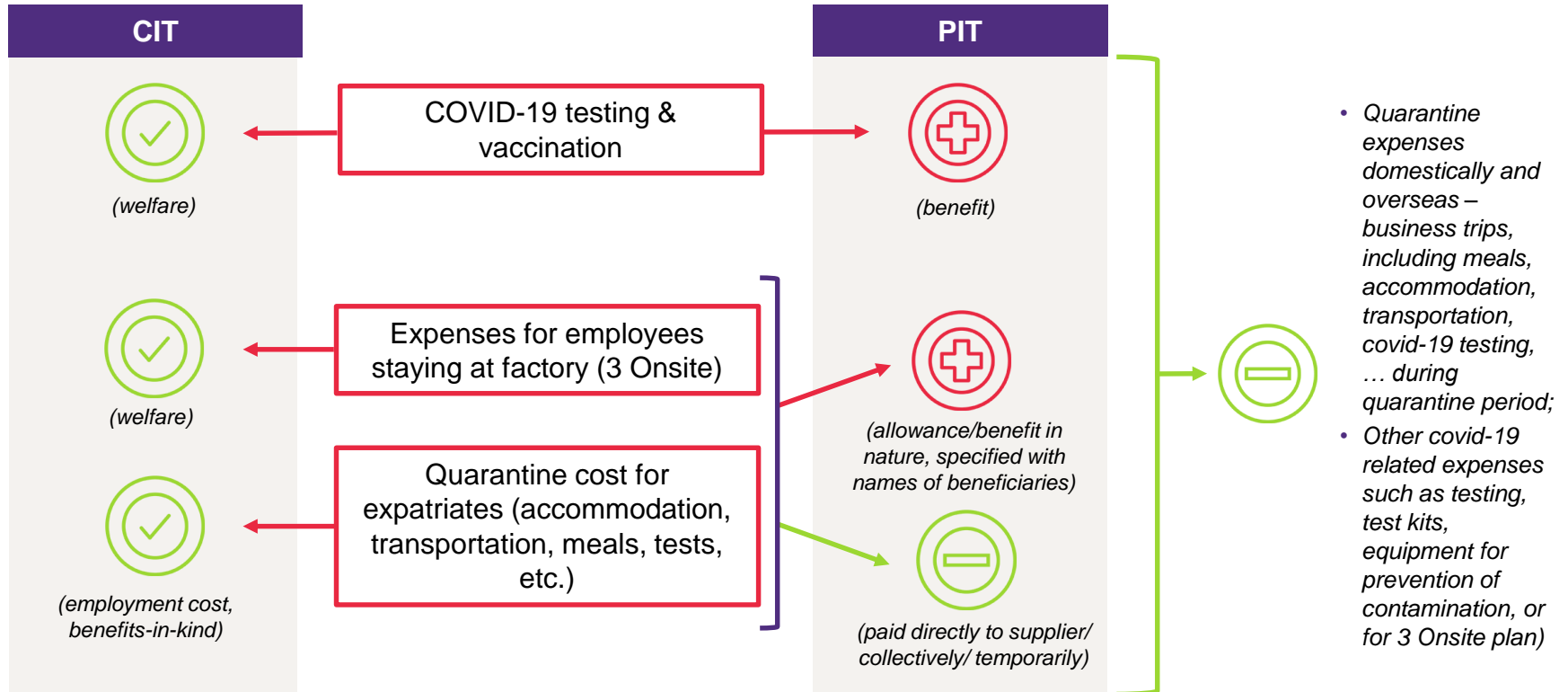


CORPORATE INCOME TAX & PERSONAL INCOME TAX GUIDELINES

Expenses incurred due to COVID-19



Expenses incurred due to COVID-19



IMPACT OF COVID-19 ON TRANSFER PRICING COMPLIANCE

25 November 2021

Do Vu Bao Khanh

Senior Manager - Transfer Pricing Services

Grant Thornton Vietnam





Risk evaluation for tax audit

Certain transfer pricing risk factors per observations:

- Absence of transfer pricing compliant documents from previous audit
- Significant volume of related party transaction
- 'Sensitive' transactions (i.e. management fee, royalty, etc.)
- *Loss making enterprises (especially negative record on capital)*
- *Significant decrease on profitability*

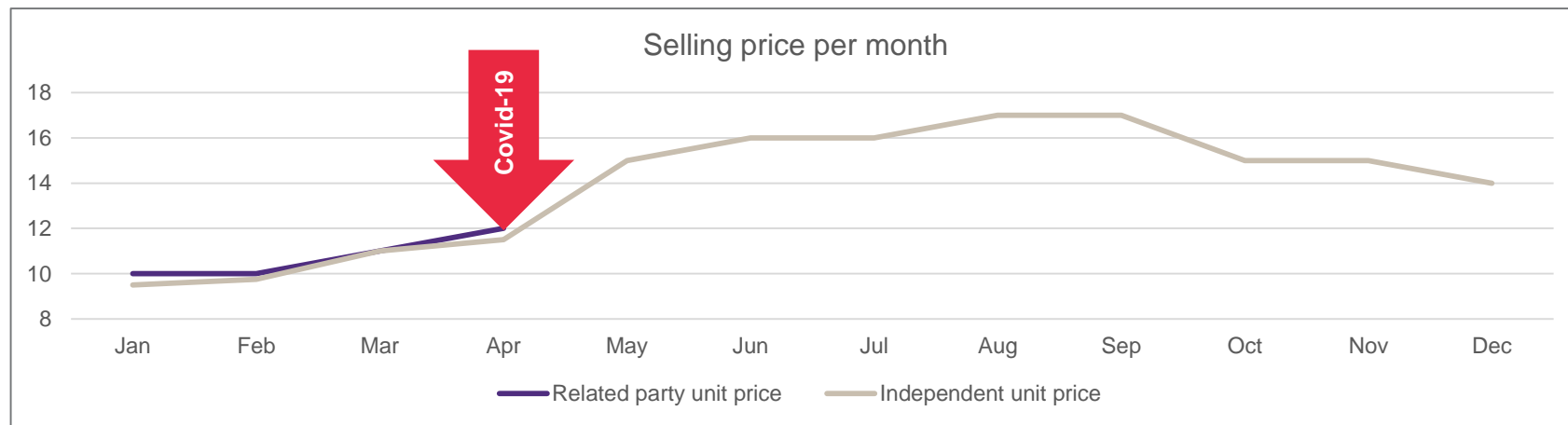
Transfer pricing requirements

Price/profitability in related party transactions shall be similar to Price/profitability in independent transactions with similar conditions.

Decree 132/2020/ND-CP	TP Form <i>(submit with CIT return)</i>	TP Documentation report <i>(maintain at premise)</i>
Compliant document	Form 01: Disclosure of transactions with related party	Local Files <i>(document impact from Covid-19)</i>
	Form 02: Info checklist of Local Files	
	Form 03: Info checklist of Master Files	Master Files
	Copy of Country-by-country profitability report	

Impact of Covid-19 to transaction

Fluctuation on pricing needs to be reviewed and documented
Analysis on Covid-19 impacts is required



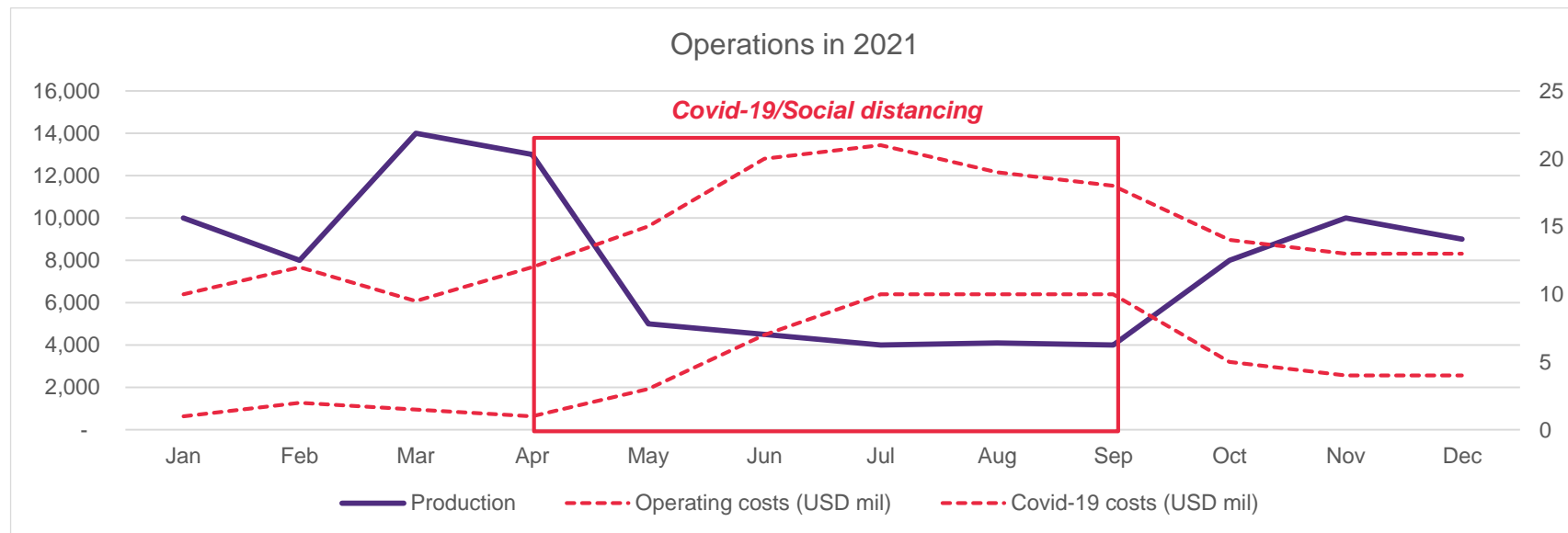
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Related party	10	10	11	12	Covid-19 – Plant closed							
Independent	9.5	9.75	11	11.5	15	16	16	17	17	15	15	14

Impact of Covid-19 to operations

Covid-19 could cause negative impact on operations and profitability

Objective costs to maintain operations would also cause negative impact

Above causes shall be documented on transfer pricing documents for explanation purpose



Management fee

Transfer pricing risk:

- Bad precedent on tax view
- Online management and digitalization during Covid-19
- Lack of 'physical' assignment

Mitigation:

- Management fee shall be reviewed carefully
- Supporting evidence shall be reviewed to prove:
 - ✓ Management services have been actually rendered
 - ✓ Vietnamese taxpayer be the sole beneficiary from services
 - ✓ Necessity of management services to taxpayer's operations (*benefit test*)



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