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Changes from 2015 in Trade, Taxation and Social Insurance policies

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Trade

Circular No. 42/2014/TT-BTC dated 18 November 2014 amending, supplementing some articles of Circular No. 21/2010/TT-BTC dated 17 May 2010 of the Minister of Industry and Trade on implementation of the Rules of Certificate of Origin (C/O) provided in the ASEAN Trade in Goods Agreement

Notable changes in Circular No. 42/2014/TT-BTC taking effect from 2 January 2015 are as follows:

- Abolished Appendix 2 – Specific rules for types of goods attached with Circular No. 21/2010/TT-BTC is replaced by Appendix I which issued together with this Circular. The new Appendix is created base on the Harmonized Commodity Description and Coding System 2012. Accordingly, there are some changes on code classification in comparison with the Harmonized Commodity Description and Coding System 2007 previously used in Circular 21/2010/TT-BTC.
- Abolished Appendix 3 – Criteria for basic conversion for textile products - issued together with Circular No. 21/2010/TT-BTC is replaced by Appendix II issued together with this Circular.
- Some articles of Appendix 7 - Procedures for issuance and inspection of C/O issued together with Circular 21/2010/TT-BTC are amended and supplemented as follows:
 - C/O will be issued before or upon the time of export or after a short period of time, if, according to the rules of origin stipulated on Appendix 1, the exported goods are determined that they have been originated from the Export member state
 - In order to claim for tax preferences, by the time of carrying out the importation procedures, the importers shall have to submit declarations C/O and supporting documents (such as commercial invoices, through bills of lading issued within the territory of the Export

member state where the goods are transported through the territory of one or more intermediary countries which are not the Member states) and other documents as required by the Laws of the importing member states to the customs authorities.

- C/O form D and back-to-back C/O form D only state the FOB value in the case of using RVC criterion calculated based on the formula stipulated at Article 5, Appendix 1, Circular No. 21/2010/TT-BTC to determine the origin of goods.

C/O form D and back-to-back C/O form D issued from and to Cambodia and Myanmar will state the FOB value with all origin criteria for the period of two (2) years from 1 April 2014 to 31 March 2016.
- Appendix 8 – C/O form D issued together with Circular No. 21/2010/TT-BTC is replaced by Appendix III attached together with this Circular, accordingly a C/O form is used.
- Appendix 13- List of authorized organizations issuing C/O issued together with Circular No. 21/2010/TT-BTC is replaced by Appendix IV issued together with this Circular, accordingly some authorized organizations issuing C/O are supplemented.

This Circular abolishes Circular No. 24/2012/TT-BTC dated 17 September 2012.

Tax

Law No. 71/2014/QH13 amending, supplementing a number of Articles of the Laws on Taxes

Law No. 71/2014/QH13 takes effect from 1 January 2015 with some notable changes as follows:

Corporate Income Tax ("CIT")

- The deductibility cap for advertising and promotion expenditure is removed
- Income of enterprises generated from implementing investment projects to manufacture products belonging to the List of products of supporting industries prioritised for development meeting one of the following criteria:
 - Products of High technology supporting industries according to the Law on High-technology
 - Products of supporting industries for manufacturing of : textiles - garment; leather - footwear; electronics – information technology; automobile assembly; mechanical fabrication which, up to 01 January 2015, could not be domestically produced, or domestically manufactured but meeting the technical standards of the European Union (EU) or equivalent.

Personal Income Tax ("PIT")

- Applying a single tax rate of 0.1% on proceeds from security transfers instead of two calculation methods as previously applied. Income from securities transfer shall not be subject to PIT finalisation

- Applying a single tax rate of 2% on proceeds from real estate transfers per time instead of two tax calculation methods as previously applied.

Value Added Tax ("VAT")

- 3 groups of goods subject to the VAT rate of 5% are now VAT-exempt: fertilizers; animal, poultry and livestock feed; machinery and equipment exclusively used for agricultural production.

Tax Administration

- Where taxable revenues, expenses, taxable prices are denominated in foreign currencies or if the taxpayers have payable obligations in foreign currencies and are approved by the relevant authorities for paying taxation in Vietnamese Dong, the taxpayers shall have to convert foreign currencies into Vietnamese Dong at the actual transaction exchange rate at the time of incurring
- Applying only one single rate of 0.05% per day for late payment of tax payable.

In the coming period, the Government will issue Decrees guiding such detailed changes. We would keep you updated as soon as such regulations are released.

Insurance

Official Letter No. 3780/BHXH-THU dated 28 November 2014 of Ho Chi Minh City Social Insurance Agency guiding Insurance Contribution under new minimum regional salary

According to Decree No. 103/2014/ND-CP dated 11 November 2014 of the Government, from 1 January 2015, the minimum regional salary levels for employees working under labour contracts are as follows:

- Region I: VND3,100,000/month
- Region II: VND2,750,000/month
- Region III: VND2,400,000/month
- Region IV: VND2,150,000/month

Accordingly, the Social Insurance Authority requests **the employers to review the minimum salary in the salary scale, payroll which have been registered** with the Labour - Invalids and Social Welfare Authority to make appropriate adjustments, on the principle that **it must not be lower than the minimum regional salary**.

Accordingly, adjustments of salary, wages for Insurance Contribution in the labour contract should be made for each employee based on the salary scale, payroll of the entities since January 2015.

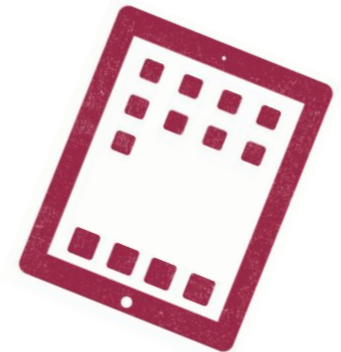
In addition, enterprises should note that :

- Adjustments to the salaries, wage levels (via Decision or Annex to the Contract) are original documents for reconciling with the compulsory insurance premiums and benefits of employees whose salary for Compulsory Insurance purposes is subject to adjustments as per the above provisions

- **By 20 February 2015 as the latest**, employers shall have to submit the adjusting documents of the salary for Compulsory Insurance Contribution purposes for employees. After this deadline, employers have to pay interests on late payments as stipulated in the relevant regulations

For the employers who are late in adjusting, or do not adjust the minimum regional salary as stated above, resulting in employees having salaries lower than the new minimum regional salary, the Insurance Authorities will temporarily adjust the salary for Social Insurance purposes for making them equal to the new minimum regional salary.

- Employees, who have signed the labor contracts at the office or head office located in Ho Chi Minh City but work in other regions, will apply the minimum regional salary at the working regions stated in the labor contract to adjust the contracted salary, wages for Insurance Contribution purposes.



Contacts

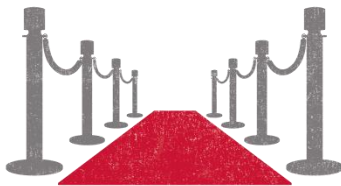
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Questions & feedback

