

Updates on Tax guidelines

20 April 2015



Updates on guidance on CIT, PIT, VAT, Tax Administration and Invoice regulations under the Decree No. 12/2015/ND-CP and Circular No. 26/2015/TT-BTC

In this Newsletter, Grant Thornton Vietnam would like to update some guidance on tax policies as follows:

On 12 February 2015, the Government issued the Decree No. 12/2015/ND-CP providing the detailed guidance on implementation of Law on amending and supplementing some article of some Decrees on taxes.

On the basis of this Decree and the requirement of management and reform of administrative procedures, the Ministry of Finance (“MoF”) issued the Circular No. 26/2015/TT-BTC guiding on the contents of Value Added Tax (“VAT”), tax administration and invoices.

The General Department of Taxation (“GDT”) subsequently issued Official Letter No. 767/TCT-CS on 5 March 2015 to introduce some new contents of this Circular.

Decree No. 12/2015/ND-CP and Circular No. 26/2015/TT-BTC took effects from 1 January 2015.

Some notable points of those documents include:

Corporate Income Tax (“CIT”)

- Payment for vocational education/ vocational training activities for employees in line with relevant regulations would be considered CIT-deductible if actually incurred and related to business activities.
- Where the enterprise has contributed in full the charter capital and during the course of business operations, incurred interest expenses on

borrowings for investment in other enterprises, those expenses would be deductible for CIT purposes.

- The “capped” deductibility being 15% of total deductible expense for expenditure on marketing, promotion, commission fee, reception, seminars, etc.. is now removed.

Personal Income Tax (“PIT”)

- If the employer buys life insurance (except voluntary pension insurance), other premium-accumulative non-compulsory insurances policies from insurance companies established and operating in accordance with Vietnamese laws, the employee shall not be required to treat such amounts PIT-taxable **at the time of buying such policies**. Upon maturity of the contracts, the insurance companies shall be required to deduct and withhold PIT calculated at **10% of the accumulated premiums corresponding** to the part contributed by the employer since 01 July 2013.

Where the above policies are provided by insurance companies which are not established and operate in accordance with the Vietnamese laws, but are permitted to sell insurance policies in Vietnam, the employer shall be required to withhold 10% of the bought/contributed insurance premiums before making payment to the employees.

- Provisions on income from business activities are removed.
- The single tax rate for income from real estate transfers shall be 2% of the transfer price.

Updates on guidance on CIT, PIT, VAT, Tax Administration and Invoice regulations under the Decree No. 12/2015/ND-CP and Circular No. 26/2015/TT-BTC

Value Added Tax (“VAT”)

- Some products such as fertilizers, feeds for cattle, poultry, ships for offshore fishing, specialized machineries and equipments for agricultural activities are classified as VAT-exempt rather than being subject to 5% and 10% VAT rates as previously regulated.
- The input VAT associated with production of the above mentioned products for domestic consumption, which is incurred from 1 January 2015, is no longer VAT-creditable but deductible for CIT purposes.
- Where the tax payer is a business entity having dependent stores using the same tax code and invoice type, each store will be considered as a separate supplier if the invoice contains the item “Store No.” in order to differentiate between the stores, and each invoice carries the authorized seal of the store on its top left corner.

Invoices for sales of goods and provision of services

- The requirement for business entities to register with the tax authorities for the use of spaces and words without diacritical mark on the invoice is now removed.
- Where the directly managing tax authority has not replied in writing within five (05) working days, the entity shall be allowed to use self-printed/ordered- printed invoices.
- It would no longer be required that the directly managing tax authority shall determine the number of invoices to be used within the next 3 to 6 months for purposes of the enterprise’s Notification on invoice issuance.

- Where the name, address of the buyer on the issued invoices are wrong but the tax code still is correct, then the two parties will prepare an adjustment minutes and there is no longer the need for issuing the adjusting invoice.

Tax administration

- There is new guidance on tax payment by deemed rate for construction, installation, or sales activities carried out in provinces or cities other than where the enterprise’s head quarter is located in which the value amounts to VND1 billion and above, inclusive of VAT.
- The list of input, output goods and services is no longer required as part of the VAT and Special Consumption Tax declaration dossiers.
- **Guidance on the use of currency for payment of tax liabilities, determination of revenues, expenses, taxable price and other payment to State Budget**, in summary:
 - For tax payment at commercial banks, credit institutions and the State Budget, the applicable exchange rate shall be the buying exchange rate ruling at the time of payment of the commercial banks, credit institutions where the taxpayer’s account is opened.
 - The actual exchange rate to be used for recording revenue is the buying exchange rate of the commercial banks where the tax payer’s account is opened.
 - The actual exchange rate to be used for recording expenses is the selling exchange rate ruling at the time of undertaking the foreign currency payment transaction of commercial banks where the tax payer’s account is opened.

Updates on guidance on Tax policies

Official Letter No. 1694/BTC-CST issued by the MoF on 3 February 2015 on the CIT treatment for health insurance policies bought by the Enterprise.

According to the guidance provided in this Official Letter, from 1 January 2014, when Enterprise buys health insurance policies including personal accident insurance, health insurance, medical care insurance in line with the Law on Insurance Business for employees, such expenditure shall be considered to be of an welfare nature. The amount of welfare expenses not exceeding 01 month of the actual average salary paid in the taxable year of the company will be considered CIT-deductible.

Official Letter No. 594/TCT-TNCN issued by the GDT on 12 February 2015 regarding the CIT treatment for travelling, accommodation expenses paid by foreign company for foreign employees working in Vietnamese Enterprises.

The Official Letter provides that where expenses for air ticket, travelling, accommodation rental, etc. which the foreign company pays for foreign employees working in Vietnamese companies, **meet the requirements to be recognised as corporate travelling expenses according to business trip policies of the foreign company, they are not considered PIT-taxable income of the employees.**

The amount of expenses exceeding the rates prescribed in such policies shall be treated as PIT-taxable income of employees.



Updates on special preferential tariff schedule of Vietnam according to the Regional Comprehensive Economic Partnership Agreement between ASEAN – Japan and between Vietnam – Japan for the period 2015-2019

Circular No. 24/2015/TT-BTC dated 14 February 2015 issued by MoF on the special preferential tariff schedule of Vietnam for the implementation of the Regional Comprehensive Economic Partnership Agreement between ASEAN – Japan for the period 2015 – 2019 (“AJCEP tariff rate”).

Accordingly, the imported good shall be required to meet the following criteria:

- Being included in the special preferential tariff schedule attached together with this Circular
- **Being imported from countries which are members of this Agreement**
- **Being directly transported to Vietnam from the exporting countries, who are member of the Agreement** (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Japan and Vietnam (Goods imported from non tariff zone to domestic market)
- Having satisfied the conditions on good origin as per the Agreement and being supported with the Certificate of origin of ASEAN – Japan (**C/O - Form AJ**) in accordance with regulation of Ministry of Industry and Trade.

This Circular took effect from 1 April 2015 and replaced Circular No. 20/2012/TT-BTC date 15 February 2012.

Grant Thornton Vietnam recommends that Enterprises should review carefully the imported goods for securing the preferential AJCEP tariff rates provided for under this Circular.

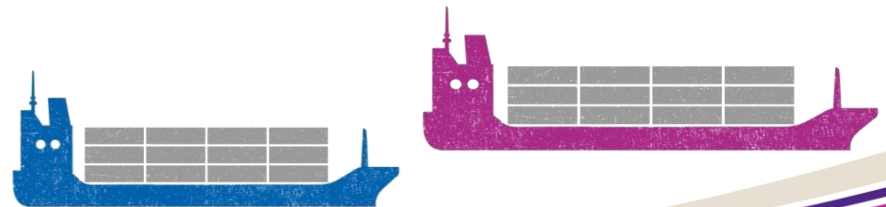
Circular No. 25/2015/TT-BTC dated 14 February 2015 of the MoF on the special preferential tariff schedule for the implementation of the Regional Comprehensive Economic Partnership Agreement between Vietnam – Japan for period 2015 – 2019 (“VJEPA tax rate”).

Accordingly, the imported good shall be required to meet the following criteria:

- Being included in the special preferential tariff schedule attached together with this Circular
- **Be imported from Japan into Vietnam**
- **Be directly transported from Japan to Vietnam**
- Having satisfied the conditions on good origin as per the Agreement and being supported with the Certificate of origin of Vietnam – Japan (**C/O - Form VJ**) in accordance with regulation of Ministry of Industry and Trade.

This Circular took effect from 1 April 2015 and replaced Circular No. 21/2012/TT-BTC date 15 February 2012.

Grant Thornton Vietnam recommends the Enterprises should review carefully the imported goods for securing the preferential VJEPA tariff rates provided for under this Circular.

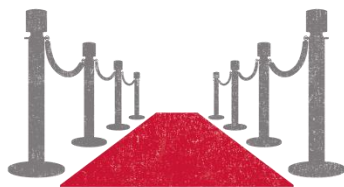


Contact

This newsletter has been prepared for reference purposes only. No responsibility can be accepted by Grant Thornton Vietnam for errors or omissions in this publication or for loss occasioned to any person acting or refraining from acting as a result of any material in this tax alert.

If you have any question or require further information relating to this tax alert, please contact our professional tax advisors.

For downloads
Please visit our website
www.gt.com.vn



Hanoi Office

18th Floor, Hoa Binh International Office Building
106 Hoang Quoc Viet
Cau Giay District, Hanoi
Vietnam
T + 84 4 3850 1686
F + 84 4 3850 1688

Hoang Khoi

Tax Partner
D +84 4 3850 1618
E Khoi.Hoang@vn.gt.com

Nguyen Dinh Du

Tax Partner
D +84 4 3850 1620
E Du.Nguyen@vn.gt.com

Kaoru Okata

Director – Japanese Desk
D +84 4 3850 1680
E Kaoru.Okata@vn.gt.com

Pham Ngoc Long

Tax Director
D +84 4 3850 1684
E Long.Pham@vn.gt.com

Kieu Hoai Nam

Tax Senior Manager
D +84 4 3850 1681
E Nam.Kieu@vn.gt.com

Ho Chi Minh Office

28th Floor, Saigon Trade Center
37 Ton Duc Thang Street
District 1, Ho Chi Minh City
Vietnam
T + 84 8 3910 9100
F + 84 8 3914 3748

Nguyen Hung Du

Tax Partner
D +84 8 3910 9231
E HungDu.Nguyen@vn.gt.com

Valerie – Teo Liang Tuan

Tax Director
D +84 8 3910 9235
E Valerie.Teo@vn.gt.com

Tran Hong My

Tax Director
D +84 8 3910 9275
E HMy.Tran@vn.gt.com

Tran Nguyen Mong Van

Tax Director
M +84 8 3910 9233
E MongVan.Tran@vn.gt.com

Tomohiro Norioka

Director – Japanese Desk
D +84 8 3910 9205
E Tomohiro.Norioka@vn.gt.com

Nguyen Bao Thai

Tax Senior Manager
M +84 8 3910 9236
E Thai.Nguyen@vn.gt.com

Questions & feedback

