

Update on management of fixed assets depreciation, premium rate payable to the insurance fund for work-related accidents and occupational diseases, taxes and customs

May 2017



Contents

1.



Regulations guiding the management, usage and depreciation of fixed assets which is effective from 26 May 2017 and is applicable from the fiscal year 2016 onwards;

2.



2. The premium rate payable to the insurance fund for work-related accidents and occupational diseases reduces to 0.5% and shall be applicable from 1 June 2017;

3.



3. The Value Added Tax (“VAT”) rate of 5% or 10% shall be applied to medical equipment and medical devices

4.



Supplier is not required to issue output invoices for the advance payment which is to ensure the performance of the services after signing the contract; and

5.



The import tax-able values include copyright fee.

1. Regulations guiding the management, use and depreciation of fixed assets which is effective from 26 May 2017 and applies from the fiscal year 2016 onwards:

The Ministry of Finance has issued Circular No. 28/2017/TT-BTC to amend and supplement a number of articles of Circular No. 45/2013/TT-BTC dated April 25, 2013 and Circular No. 147/2016/TT-BTC dated 13 October 2016 guiding on management, use and depreciation of fixed assets.

The notable point of this amendment pertains to that an enterprise is required to determine and record the value of mixed property for each purpose. In particular:

- With regards to the assets' value (i.e. areas of the mixed property) use for business operation and leasing purposes (except for financial leasing), the enterprise will have to record such value as fixed assets and requires to manage and depreciate in accordance to the prevailing regulations;
- With regards to the assets' value (i.e. areas of the mixed property) for sale, the enterprise will not treat such value as fixed assets and will not depreciate it. The enterprise requires to record such assets as held for sale.
- The method to determine the value of the assets for each purpose will be either on proportion basis of the value of each area according to each purpose over the final settlement value of the construction works; or based on the actual area used for each purpose.
- In the event if **the enterprise cannot determine the assets' value (i.e. areas of the mixed property) used for business purpose, for leasing or for sale purposes separately, the enterprise will not record the total assets' value of such mixed property as fixed assets and will not depreciate it.**
- With regards to the other assets (i.e. playgrounds, passages, garages, etc.) related to the mixed property, the determination of value of each type of assets and depreciated value of the commonly used assets shall also be allocated according to the criteria for determination of value of each type of assets and depreciation allocation of the mixed property.

2. The premium rate payable to the insurance fund for work-related accidents and occupational diseases reduces to 0.5% and shall be applicable from 1 June 2017:

The Government has issued Decree No. 44/2017/ND-CP regulating the compulsory social insurance premium rate payable to the insurance fund for work-related accidents and occupational diseases. Accordingly, the employer is subject to contribute to the insurance fund on monthly basis at the flat rate of 0.5% of the salary fund which is use as the basis for paying social insurance premiums for the employees.



0.5%

The premium rate payable to the insurance fund for work-related accidents and occupational diseases



5% or 10%

The VAT shall be applied to medical equipment and medical devices

3. The Value Added Tax (“VAT”) rate of 5% or 10% shall be applied to medical equipment and medical devices

According to Resolution No. 19/2016/NQ-CP dated 28 April 2016 and Resolution No. 35/2016/NQ-CP dated 16 May 2016, the Government has instructed the relevant regulatory authorities as follows: while the Ministry of Finance has yet to amend the Circular No. 26/2015/TT-BTC dated 27 February 2015, in order to provide favorable conditions for import enterprises, the customs department is required to speed up the procedures of releasing the imported goods which are declared as medical equipment and medical devices. And, such goods are subject to VAT at the rate of 5% based on the written commitments to bear all relevant responsibility in accordance with the Laws of the import enterprises.

Within 30 days after registration of the imported goods declaration, the enterprise is responsible to submit the certificates issued by the Ministry of Health to the customs department where the import declaration forms have been registered. Failure to submit the certificate issued by the Ministry of Health within the stipulated timeline, the enterprise will be required to make supplement declarations at the VAT rate 10% and pay interest on late payment, calculated from the date when the goods were released till the date of full tax payments.

If the import enterprise has paid VAT at the rate of 10% for medical equipment and medical devices and obtained the certificates from the Ministry of Health, the customs department will handle the overpaid tax amount to the enterprise as prescribed at Article 49, Circular No.38/2015/TT-BTC dated March 25, 2015 of the Ministry of Finance.



4. The supplier is not required to issue output invoices for the advance payment which is to ensure the performance of the services after signing the contract

Tax Department of Hanoi City has guided that in the event if the service provider has received advanced payment right after signing the contract which is to ensure the performance of the service contract, the service provider is not required to issue output invoice.

However, the service provider has to issue invoices for other payments (apart from the advance payment) received before or during performing the services.

5. The import tax-able values include copyright fee

According to the current regulations, copyright fee shall be added to the import tax-able value of the imported goods only when the following conditions are satisfied: "relating to the imported goods", "being a part of trading conditions" and "have not been included in the actual or future payment". Hence, in the event if a company imports goods according to the Agreement on transfer of useright of registered trademark, the payable copyright fee must be added to the import tax-able value of import goods.

GT recommends enterprises which have entered into the Agreement on transfer of useright of registered trademark to review the relevant import tax-able value to ensure it is in compliance with the prevailing regulations.

Contacts

This news letter is for reference purposes only. Grant Thornton Vietnam holds no responsibility for mistakes therein, as well as damages caused by the use of information from this newsletter without official advisory opinions from Grant Thornton Vietnam before practice.

Should you need to us information from this newsletter or support from Grant Thornton Vietnam, please contact our professional consultants

Head Office in Hanoi

18th Floor, Hoa Binh International Office Building
106 Hoang Quoc Viet Street, Cau Giay District, Ha Noi, Vietnam
Phone: + 84 4 3850 1686
F: +84 4 3850 1688



Hoang Khoi

Tax Partner, Hanoi Office
National Head of Tax
D +84 4 3850 1618
E Khoi.Hoang@vn.gt.com



Nguyen Dinh Du

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



Nguyen Hung Du

Tax Partner, Ho Chi Minh City Office
D +84 8 3910 9231
E HungDu.Nguyen@vn.gt.com



Kaoru Okata

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



Pham Ngoc Long

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



Valerie – Teo Liang Tuan

Tax Director, Ho Chi Minh City Office
D +84 8 3910 9235
E Valerie.Teo@vn.gt.com



Tran Nguyen Mong Van

Tax Director, Ho Chi Minh City Office
D +84 8 3910 9233
E MongVan.Tran@vn.gt.com



Tran Hong My

Tax Director, Ho Chi Minh City Office
D +84 8 3910 9238
E HMy.Tran@vn.gt.com



Tomohiro Norioka

Director – Japanese Desk, Ho Chi Minh City Office
D +84 8 3910 9205
E Tomohiro.Norioka@vn.gt.com

To view more information
Please visit our website

www.grantthornton.com.vn

Ho Chi Minh City Office

14th Floor, Pearl Plaza
561A Dien Bien Phu Street, Binh Thanh District, Ho Chi Minh, Vietnam
Phone:+ 84 8 3910 9100
F: + 84 8 3914 9101



grantthornton.com.vn

© 2017 Grant Thornton (Vietnam) Limited - All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton International Ltd (GTIL) and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.