



Grant Thornton

# Update on new regulations and important tax policies

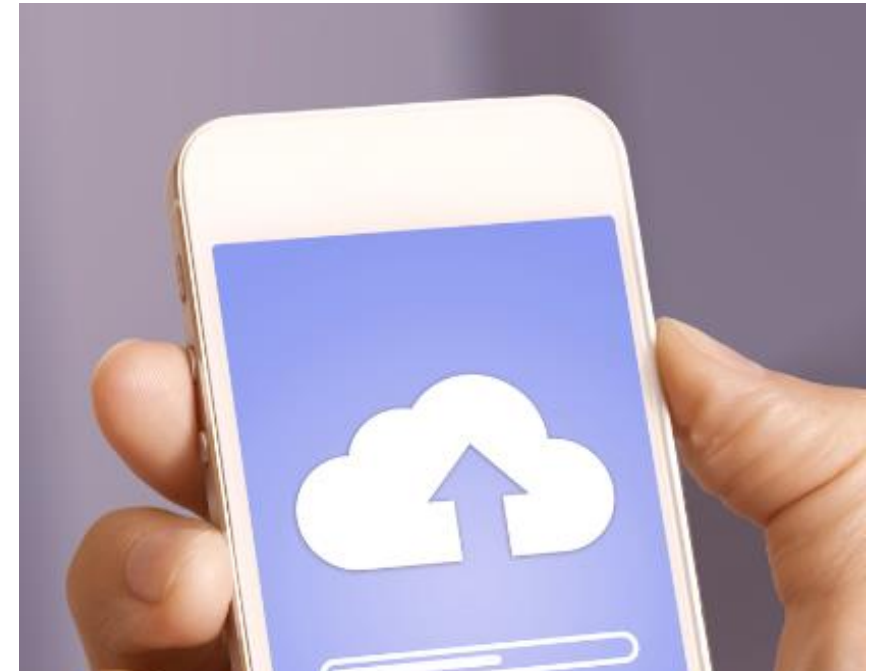
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# Content

In June 2019, a new Law on Tax Administration was passed by the National Assembly with several important and breakthrough changes in contents. The new Law on Tax Administration is expected to create more favorable conditions for taxpayers in the process of tax declaration and payment, and closely improve the legal framework to manage tax collection for new types of business.

To assist businesses in comprehension and application of the new regulations, in the Tax Newsletter this month, Grant Thornton would like to summarize some key changes in the Law on Tax Administration 2019, which has been effective from 1 July 2020 as follows.



## Law on Tax Administration 38/2019/QH14

In the previous update, we have updated that the new Law on Tax Administration 38/2019/QH14 (Law on Tax Administration 2019) would replace the Law on Tax Administration 2006 and 2012. As the new law has taken effect since 1 July 2020, we would like to summarize several important changes as follows for businesses to note:



New provisions for tax registration, declaration and payment



Enhanced regulations on related-party transactions



Supplementing provisions to ensure benefits for taxpayers



Provisions for application of e-invoice



Enhanced control on e-commerce activities

# 1. New provisions for tax registration, declaration and payment

- Taxpayers must register for tax and be granted tax identification numbers by tax authorities before commencement of production or business activities or incur obligations to the State Budget (instead of 10 working days from the date of issuance of the business registration certificate or establishment and operation license or certificate of investment registration).

In case a taxpayer declares tax electronically on the last day of the deadline for declaration and the electronic portal of the tax authority encounter errors, the taxpayer may submit the electronic declaration and electronic tax payment receipts on the following day when the electronic portal is active again.

- Deadlines for tax declaration and payment:

Declaration and payment	Previous regulations	Regulations from 1 July 2020
On a quarterly basis	The 30 <sup>th</sup> day of subsequent quarter	The last day of the first month of the subsequent quarter <i>(except quarterly provisional CIT which still follow deadline of 30<sup>th</sup> day of subsequent quarter)</i>
Annual tax finalization	The 90 <sup>th</sup> day from the tax year end	The last day of the third month from the end calendar year or financial year
Annual tax declaration	The 30 <sup>th</sup> day of the first month of the subsequent year	The last day of the first month of the calendar year or financial year
PIT finalization (individuals file finalization directly)	The 90 <sup>th</sup> day from the tax year end	The last day of the fourth month from the end of the calendar year



## 2. Provisions for application of e-invoice

- Provisions on e-invoices and documents of the Law on Tax Administration 2019 shall take effect from 1 July 2022.
- Currently, the Government is on the drafting process of a new Decree on invoices in which the provisions on invoices and electronic documents are expected to take effect from 1 July 2022.
- We shall update you the latest information regarding this in the upcoming Newsletters.

# 3. Enhanced regulations on related-party transactions

The Law on Tax Administration 2019 supplements important principles related to related party transactions to control transfer pricing and tax evasion:



“*Arm’ length principle*” and “*substance of activities, transactions determining tax liability principle*” are used to determine taxable prices for taxpayers with related-party transactions.



Ministry of Planning and Investment is responsible for appraisal of investment projects to prevent transfer pricing and tax avoidance.



Require the taxpayers who have entered into related-party transactions to prepare, file, declare and provide documents on taxpayers and their related parties, including information on related parties residing in foreign countries or territories.



Tax authorities are responsible for the exchange of information of taxpayers, information of parties related to foreign tax authorities to support tax management regarding related-party transactions.

## 4. Enhanced control on e-commerce activities

Additional provisions in the new Law on Tax Administration 2019 to strengthen the administration of e-commerce activities:

- Digital business and other services provided by overseas providers without permanent establishments in Vietnam via e-commerce, electronic platforms and other services, shall directly or authorize representatives to register, declare and pay tax in Vietnam.
- Commercial banks are responsible for withholding and paying tax on behalf of overseas organizations and individuals having e-commerce activities which generate income in Vietnam.



## 5. Supplementing provisions to ensure benefits for taxpayers

- Taxpayers will be exempt from penalties for administrative tax offences, and from late payment interest for cases where taxpayers comply with guiding documents and decisions of tax authorities, state authorities on determination of their tax liabilities.
- Taxpayers will be able to access and print all electronic records that taxpayers have sent to web portals of tax authorities as prescribed in this Law and law on electronic transactions. Taxpayers will also be able to use electronic documents in transactions with tax authorities and relevant organizations and/or agencies.



# Contact

Please contact our professional advisors at Grant Thornton Vietnam for assistance with taxation, accounting, transfer pricing, labour, investment and customs as well as other legal issues you may have during your business operation.

Please visit our [Tax Hub](#) to view more information

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