



Update on certain important policies on taxes, insurance and labor during the COVID-19 outbreak

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Content

In this Newsletter, Grant Thornton Vietnam would like to bring to you certain important policies relating to the government's stimulus package for businesses affected by COVID-19 and some labor issues during the time of COVID-19 outbreak.

Referring to our update in the Newsletter in March 2020, the Government has issued Directive no 11/ CT-TTg on urgent missions and solutions for assisting businesses facing difficulties and ensuring social welfare during Covid 19 outbreak. Pursuant to the Prime Minister's Directive, some supports related to taxes and rental fees, insurance and labor are specified as below:



Decree 41/2020/ND-CP on tax and land rent deferral



Suspension of contribution to the pension fund and death benefit fund for entities affected by covid-19



Deferral for payment of union fee for enterprises affected by covid-19



Others regulation on labor in response to covid-19 pandemic

A. Decree 41/2020/ND-CP on tax and land rent deferral

In 8 April 2020, the Government has issued Decree no 41/2020/ND-CP on tax and land rent deferral to assist enterprises affected during difficulty period. The decree takes effect from the date of signing (8 April 2020).

1) Applicable entities

i. Enterprises, organizations, households and individuals that are manufacturers in the following business lines:

a. Agriculture, forestry, aquaculture;

b. Production and processing of food; textiles; garments; manufacture of leather and leather products; wood treatment and manufacture of products from wood, bamboo, rattan (except furniture); manufacture of products from straw and plaiting materials; manufacture of paper products; manufacture of rubber and plastic products; manufacture of products from other non-metallic minerals; metal production; mechanical working; metal treating and coating; manufacture of electronics, computers and optical products; manufacture of automobiles and other motor vehicles; furniture production;

c. Construction.

ii. Enterprises, organizations, households and individuals that operate in the following business lines:

a. Transport and warehousing; accommodation, food and drink; education and training; healthcare and social assistance; real estate trading;

b. Employment services; travel agencies, tourism services and auxiliary tourism services;

c. Composing, art and entertainment; library, archive, museum operation and other artistic activities; sports and entertainment; cinemas.

Detailed Industry codes according to Decision 27/2018/QĐ-TTg are summarized in Appendix 1 of this Newsletter hereunder

iii. Taxpayers that are manufacturers of prioritized supporting industry products or key mechanical products.

iv. Small enterprises and microenterprises shall be determined under current law

v. Credit institutions and foreign bank branches providing assistance for enterprises, organizations and individuals affected by Covid-19 as prescribed by the State bank of Vietnam.



2) Deferred period for taxes and land rental

For entities satisfy the conditions for tax deferral, the specific extension time for each type of taxes is as below:

i. Value Added Tax (VAT) except import VAT

5 months extension, specifically:

Monthly declaration:

- Deadline for March 2020 tax period: by 20 September 2020 at the latest
- Deadline for April 2020 tax period: by 20 October 2020 at the latest.
- Deadline for May 2020 tax period: by 20 November 2020 at the latest.
- Deadline for June 2020 tax period: by 20 December 2020 at the latest.
- Quarterly declaration:
- Deadline for first quarter of 2020 tax period: by 30 September 2020 at the latest.

- Deadline for second quarter of 2020 tax period: by 30 December 2020 at the latest.

Enterprises should note that even if the Enterprises are eligible for tax deferral, the deferral only applicable for **payment of tax**. The Enterprise is required to submit their monthly or quarterly VAT declarations in accordance with applicable laws (no extension).

ii. Corporate income tax (CIT)

5 months extension, from the deadline for CIT payment prescribed by law for the following tax period:

CIT finalization payable for FY2019.

Provision CIT payable in the first and second quarters of 2020.

In case an enterprises has already paid the outstanding CIT in the 2019 finalization, they are allowed to offset the CIT paid other payable taxes.

iii. Land rents

5 months extension from 31 May 2020 in respect to the deadline for annual payment of land rental for the beginning period of 2020 for applicable entities.

3) Deferral application procedures

Notable points regarding deferral procedures as below:

- A taxpayer eligible for tax deferral shall submit an application for tax and land rent deferral (electronically or other method) using the form enclosed with the decree to the supervisory tax authority. The one-time application shall be applicable for all payments of tax and land rental deferred and be submitted together with the monthly (or quarterly) tax declaration.
- The deadline for sending an application for tax and land rent deferral is 30 July 2020. Tax and land rental deferral shall not be applicable if the application for tax and land rent deferral is submitted after 30 July 2020.
- Taxpayers shall be responsible for self-determination of their eligibility for deferral request as prescribed in this Decree. The tax authority shall not inform the taxpayer whether the application is accepted or not.
- In the future, if the tax authority uncovers that the taxpayer is not eligible for deferral, the taxpayer must fully pay the outstanding tax, penalty (if any) and late payment interest determined by the tax authority to the State Treasury.

This extension of tax payment will support many businesses struggling with the outbreak of Covid-19. However, the extension is based on the principle of self-declaration, so enterprises need to consider carefully to correctly determine with sufficient proofs to the tax authorities in order to avoid tax recollection and penalty by the incorrect application in future tax audit.

Currently, the tax and land rental deferral request form is available on <https://thuedientu.gdt.gov.vn>. Enterprises can check for application or otherwise submit the hard copy to tax authorities.



B. Suspension of contribution to the pension fund and death benefit fund for entities affected by covid-19

Vietnam Social Security (VSS) has issued Official Letters No 860/BHXX-BT dated 17 March 2020 in providing guidance on suspension of social insurance contributions by entities affected by Covid-19 until the end of June or December 2020 depending on the actual situation.



1) Eligible entities for suspension

- Enterprises that operate in passenger transport, hospitality, food and drink, and other business lines affected by the pandemic
- The number of employees contributed for Social Insurance which must be temporarily lay off from 50% of the total number of employees before the business suspension; OR
- Damage of more than 50% of total assets value due to pandemic (excluding land value).



2) Applications for interest-free suspension of contribution

- In this letter, it is unclear about application dossier for suspension of contribution for pension and death fund. However, the responsible authorities of each provinces and cities have gradually issued official letter detailing guidelines on dossier and application (such as guidance No. 882/HDLN-BHXX-LDTB&XH-TC of union of social insurance, Department of Labour, War Invalids and Social Affairs, Department of Finance of Hanoi City, Official Letter 9739 / SLDTBXH-LD of Department of Labour, War Invalids and Social Affairs of Ho Chi Minh City).
- However, in case further detailed guidance is not yet available, enterprises need to consult with the local insurance authority before implementation.

C. Deferral for payment of union fee for enterprises affected by covid-19

Vietnam General Federation of Labour has issued the Official Letters No. [245/TLD](#) dated 18 March 2020 regarding extension of the deadline for payment of union fee for enterprises affected by Covid-19.



1) Entities eligible for suspension

Enterprises with business affected by Covid-19 (Enterprises whose employees participating in the social insurance program have to temporarily quit their job account for at least 50% of total employees subject to compulsory social insurance scheme).



2) Time deferred

Enterprises affected by Covid-19 will be granted an extension of the deadline for payment of union dues for the first 6 months to 30 June 2020. If after this date, the Covid-19 outbreak is not yet subsides and enterprises continue to face difficulty, then the deadline will be extended to 31 December 2020.

This Official Letter does not specify in details the eligible entities as well as the application dossier, so enterprises should pay attention and work directly with the trade union before applying.

D. Others regulation on labor in response to covid-19 pandemic



Suspension of new Work Permit issuance

At 10 March 2020, The Government has issued resolution no 28/ ND- CP requesting the Ministry of Labor – War Invalids and Social Affairs to temporarily stop issuing new Work Permit for foreign laborers coming from countries and territories infected by the Covid-19 epidemic. Thus, based on this resolution, currently, the plans of many Companies demand for recruitment and employment of foreign workers will be temporarily interrupted due to many countries infected by Covid-19. Enterprises should pay attention to this in order to arrange suitable production and business plans.

Appendix 1: Economic industry codes according to Decision 27/2018/QD-TTg for industries specified in Decree 41/2020/ND-CP

Description		Industry code	
		Level 2	Level 4
Agriculture and related service activities		01	
Manufacture of food products		10	
Manufacture of textiles		13	
Manufacture of wearing apparel		14	
Manufacture of leather and related products		15	
Manufacture of wood and of products of wood and cork, except furniture; manufacture of products of straw and plaiting materials;		16	
Manufacture of paper and paper products		17	
Manufacture of rubber and plastics products		22	
	Manufacture of rubber tyres and tubes; retreading and rebuilding of rubber	22	2211
	Manufacture of other rubber products	22	2219
	Manufacture of plastics products	22	2220

Description		Industry code	
Manufacture of other non-metallic mineral products		23	
Manufacture of metals		24	
	Manufacture of iron, steel and cast iron	24	2410
	Manufacture of precious and non-ferrous metals	24	2420
	Casting of iron and steel	24	2431
	Casting of non-ferrous metals	24	2432
Machining; treatment and coating of metals			2592
Manufacture of computer, electronic and optical products		26	
	Manufacture of electronic components and boards	26	2610
	Manufacture of computers and peripheral equipment	26	2620
	Manufacture of communication equipment	26	2630
	Manufacture of consumer electronics	26	2640
	Manufacture of measuring, testing, navigating and control equipment	26	2651
	Manufacture of watches and clocks	26	2652

Description		Industry code	
	Manufacture of irradiation, electromedical and electrotherapeutic equipment	26	2660
	Manufacture of optical instruments and photographic equipment	26	2670
	Manufacture of magnetic and optical video tapes and discs	26	2680
Manufacture of motor vehicles and other motor vehicles		29	
	Manufacture of motor vehicles and other motor vehicles	29	2910
	Manufacture of bodies (coachwork) for motor vehicles and other motor vehicles; manufacture of trailers and semi-trailers	29	2920
	Manufacture of parts and accessories for motor vehicles and other motor vehicles	29	2930
Manufacture of furniture		31	
Construction			
	Construction of buildings	41	
	Construction of residential buildings	41	4101

Description		Industry code	
	Construction of non-residential buildings	41	4102
	Civil engineering	42	
	Construction of railways	42	4211
	Construction of roads	42	4212
	Construction of electrical works	42	4221
	Construction of water supply and drainage works	42	4222
	Construction of telecommunications and communication constructions	42	4223
	Construction of other utility projects	42	4229
	Construction of hydraulic structures	42	4291
	Construction of mining and quarrying facilities	42	4292
	Construction of manufacturing facilities	42	4293
	Construction of other civil engineering projects	42	4299
	Demolition	43	4311
	Site preparation	43	4312

Description		Industry code	
	Electrical installation	43	4321
	Plumbing, heat and air-conditioning installation	43	4322
	Other construction installation	43	4329
	Building completion and finishing	43	4330
	Other specialized construction activities	43	4390
TRANSPORTATION AND STORAGE		49	
ACCOMMODATION AND FOOD SERVICE ACTIVITIES		55	
	Short-term accommodation activities	55	5510
	Other accommodation	55	5590
	Restaurants and mobile food service activities	56	5610
	Provision of food services based on contractual arrangements with the customer	56	5621
	Other food service activities	56	5629
Education and training		85	

Description		Industry code	
HUMAN HEALTH AND SOCIAL WORK ACTIVITIES		86	
Real estate activities		68	
Employment activities		78	
Travel agency, tour operator and related activities		79	
ARTS, ENTERTAINMENT AND RECREATION		90	
Libraries, archives, museums and other cultural activities		91	
Sports activities and amusement and recreation activities		93	
Motion picture projection activities			5914

() Please be noted that the above industry code information is only for reference purposes. The application of the above mentioned industries code in the determination of entities entitled to tax and land rent deferral according to regulations needs to be carefully researched and consulted with the capable advisor in each specific case.*

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.

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