

A. TAX - ACCOUNTING

1. CORPORATE INCOME TAX

❖ **Deductible expense with tuition fee for children of foreign workers without legal invoice:**

O.L No. 9912/CT-TTHT dated 13 October 2016 of Ho Chi Minh tax department about taxation policy, as follows:

As regulation at point g, clause 2 article 2 circular 111/2013/TT-BTC and clause 2.6 article 4 Circular 96/2015/TT-BTC, tuition fee which company paid to the children of foreign workers in Vietnam learning from kindergartens to high school are accounted as deductible expenses when calculating CIT, as well as be exempted PIT.

In principle, this amounts must have legal invoices and documents, it will be included in deductible expenses for CIT purposes. However, in case children of foreigners under the consulate without bills, just has required papers and receipts tuition vouchers, along with vouchers spending of the company under the provisions as a basis for the company included in a reasonable cost.

2. VALUE ADDED TAX

❖ **Authorized fee for import and export for foreign applied for 0% VAT:**

O.L No. 5361/TCT-CS dated 21 November 2016 of general tax department about VAT policy. As follows:

If company is authorized for importing goods deposited in bonded warehouses by a foreign company, then goods are handed to an other foreign company, the company just get authorized fee, payments of foreign parties is made by themself, if actually, the company just implement import and export authorized service to foreign companies linked to the export of goods abroad, this amount is applied for the 0% VAT rate if it suitable for conditions in Clause 2, Article 9 of Circular No. 219/2013/TT-BTC.

❖ **Refund VAT policy:**

O.L No. 301/CT-TTHT dated 11 January 2017 of Binh Duong tax department about refund VAT, as follows:

In which company is newly established from registered business investment projects, registered to pay VAT by deduction method, in the period of investment till December 2016, and has not in operation business yet, revenue has not arisen, the company implemented the VAT declaration as form 02/VAT and VAT refund consideration till December 2016 when the accumulated amount of VAT on goods and services purchased using investment of 300 million or more.

Where the company went into manufacturing business activity in January 2017 arising export sales, the company is refunded on exports if it is the case of VAT refund for export goods, services specified in Clause 3, Article 1 of Circular No. 130/2016/TT-BTC, and meet the conditions of tax refund at Article 16, Clause 1, Article 19 of Circular No. 219/2013/TT-BTC dated 31 December 2013.

❖ **VAT applied for transportation of processing business:**

On 16 January 2017, MOF issued O.L No. 610/BTC-CST guiding VAT applied for transportation of processing business:

Accordingly, MOF guiding the carrier has signed a contract with processing business in export processing zones, except for employees transporting service, subject to the application of 0% VAT rate in response the conditions of the contract and documents as specified in point b Clause 2 of Article 9 of Circular No. 219/2013/TT-BTC dated 31 December 2013 of MOF.

3. PERSONAL INCOME TAX:

❖ **PIT with payment as terminating labor contract:**

O.L No. 5918/TCT-TNCN date 20 December 2016 of tax department about PIT policy with payment as terminating labor contract. As follows:

Where the Company signed a contract with indefinite term employees, this company is negotiating to terminate labor contracts with their employees under the Labor law, Article 36.3 (agreement of terminating the labor contract), the salaries, wages and wage-related payments, wages paid to the employee upon termination of the labor contract is determined as follows:

- For the wages paid to the employee, the deduction under the partially progressive tariff;
- The severance benefits, employees leave in accordance with the Social Insurance Law and Labor Law shall not be included in taxable income from salaries and wages of employees.

For the financial support that the Company pays to the employee (other than the provisions of the Labor Law and the social insurance law) after the termination of the labor contract, if such expenses 2,000,000 VND or more, the company must withhold PIT at the rate of 10% on gross payment.

4. OTHER

❖ Using invoice as processing business liquidates fixed assets in the domestic:

O.L No. 302/CT-TT&HT date 11 January 2017 of the Tax Department of Binh Duong guiding on using the invoice as processing business liquidates fixed assets in the domestic market, as follows:

In which the company want to liquidate used fixed assets into domestic market, they can choose one in which:

- If the company selected method in accordance with Article 79 of Circular No. 38/2015/TT-BTC dated 25 March 2015 of the MOF, the Company implemented procedures to be supplied retail invoice with the Tax Department of Binh Duong Province (company contact the tax Inspection No. 3 for guidance, determine the amount of tax payable under the regulation. After having tax payment vouchers, they contact HC-QT-TV-AC room (parts press only) to be issued VAT invoice) according to the instructions in Article 13 of Circular 39/2015/TT-BTC dated 31 March 2014 of the MOF.
- If the company selected the method in accordance with Article 86 of Circular No.

38/2015/TT-BTC dated 25 March 2015 of the MOF, the company carries out import and export procedures in place, use a commercial invoice according to the instructions in the O.L No. 16809/BTC-TCT dated 25 November 2016 of BTC.

❖ FCT of contract compensation for foreign:

O.L No. 9849/CT-TTHT dated 10 December 2016 of tax department of Ho Chi Minh about FCT policy for contract compensation for foreign, as follows:

Accordingly, Vietnam company signed purchase agreement with a foreign company, as agreement in the contract, the Vietnam company has to return to foreign companies amount of compensation, if they do not implement the commitments in the contract, as paying compensation to foreign company, the company has the obligation to calculate, withhold and pay tax for foreign companies as follows:

- VAT: the compensation is not subject of declaring and paying VAT
- CIT = Taxable income x 2% (Article 13, the rate of calculating CIT per taxable income with other business operation of contractors is 2%).

❖ Guiding to declare FCT in 2017:

On 05 January 2017, general tax department issued O.L 27/TCT-KK guiding to declare license fee.

Accordingly, obligations arising accounting and license fee payments required in 2017 under the new rules in Circular 300/2016/TT-BTC of the organization and production activities - business and individuals, groups of individuals, household as follows:

- License fee level (step) 1: Declare at subsection 2862.
- License fee level (step) 2: Declare at subsection 2863.
- License fee level (step) 3: Declare at subsection 2864.

Besides, O.L also guiding to correct the errors of vouchers to submit license fee:

- In case, errors in the recognition of license fees of 2017 under subsection former, tax authority established written request to adjust to a new subsection in the form C1-07/NS and send to Treasury.

In case of errors in recorded remittances for 2016 excise tax debt retroactively under the new subsection, the tax authorities established written request to adjust revenue to old form subsection C1-07/NS sent Treasury.

- Before 1995 is 4.40.
- From 1995 to 2005 : 3.74; 3.53; 3.42; 3.18; 3.04; 3.09; 3.10; 2.99; 2.89; 2.69; 2.48 resectively.
- From 2006 to 2017: 2.31; 2.13; 1.73; 1.62; 1.48; 1.25; 1.15; 1.08; 1.03; 1.03; 1.00; 1.00 respectively.

B. LABOR - INVESTMENT

1. LABOR

❖ Adjustment of salary which submitted social insurance in 2017:

On 28 December 2016, MOLISA issued Circular 42/2016/TT-BLĐTBXH provisions salary adjustment and social insurance monthly income in 2017 was as follows:

- For employees who are participating social insurance or reserve the period of social insurance, and have time to pay social insurance as salary regime decided by employers:

- For employees participating free social insurance voluntarily get pension, allowance when they retire, one-time social insurance or their relative death gratuity get on-time allowance as they die from 01 January 2017 to 31 December 2017:

- From 2008 to 2012 is 1.73; 1.62; 1.48; 1.25; 1.15 respectively.
- From 2013 to 2017 is 1.08; 1.03; 1.03; 1.00; 1.00 respectively.

This Circular takes effect from 11 February 2017; regulations at this Circular are appied from 01 January 2017.

Abbreviation:

MOF
Ministry Of Finance

OL
Official Letter

GDT
General Department of Taxation

CIT
Corporate Income Tax

MOLISA
Ministry of Labor, Invalids and Social Affairs

VAT
Value Added Tax

FCT
Foreign Contractor Tax

PIT
Personal Income Tax

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