

### A. TAX - ACCOUNTING

#### 1. CORPORATE INCOME TAX

##### ❖ CIT on provision for doubtful debts

OL No. 3660/CT-TTHT\_441041 dated on 13 April 2020 issued by the GDT guidance on CIT that the provision for doubtful debts is not deductible when determining the corporate income tax as:

To accrue, deduct and use the provisions not in accordance with the guidance of the MOF on provisions as provisions for diminution in inventories, provisions for impairments in other investment, provision for doubtful debts, and warranty of products, goods, construction, and installation work and provisions for professional risk of appraisal enterprises and independent audit enterprises.

##### ❖ Incentives CIT policies

OL No. 24678/CT-TTHT date on 17 April 2020 guidance on the incentives policy of corporate income tax as follows:

According to Article 22 of Circular 78/2014/TT-BTC dated on 18 June 2014 of the MOF guiding on the implementation of Decree No. 218/2013/ND-CP dated on 26 December 2013 issued by the Government's and the Law on Corporate Income Tax, regulations on procedures for implementing company income tax incentives as:

Enterprises shall determine by themselves conditions for enjoyment of tax incentives, preferential tax rates, the tax exemption or reduction duration, and losses allowed to be cleared against taxed incomes in order to declare and finalize tax with tax agencies.

When conducting examination and inspection at enterprises, tax agencies shall examine conditions actually satisfied by enterprises for enjoyment of tax incentives, CIT amounts eligible for exemption or reduction, and losses allowed to be cleared against taxable incomes. If enterprises fail to satisfy conditions for enjoyment of preferential tax rates and tax exemption or reduction duration, tax agencies shall retrospectively collect tax and sanction tax-related administrative violations under regulations.

##### ❖ Guidance on deductible interest expenses of the Company with associated parties when determining CIT

Pursuant to Decree No. 68/2020/ND-CP dated on 24 June 2020 guidance on the deductible interest expenses when determining taxable income for enterprises having associated transactions as follows:

- Total deductible loan interest expenses (after offsetting interest income from loans and deposits) when determining the taxable income should not exceed 30% of the net profit from business activities plus the interest expense and depreciation expenses incurred in the period.
- The non-deductible interest expense shall be carried forward to the next period in case the total deductible interest expense of the following year is lower than the threshold specified at the above point. The maximum duration for transferring interest expenses is 5 years, counting from the following year of non-deductible interest expense arises.

## 2. PERSONAL INCOME TAX

### ❖ Adjustment on family circumstance deductions for Personal income tax calculation

Resolution No.945/2020/UBTVQH14 dated on 01 June 2020 issued by Standing Committee of the National Assembly to increase the family circumstance deductions specified in clause 1 Article 19 of the Law on PIT Tax No. 04/2007/QH12 had amended Law No. 26/2012/QH13 as follows:

- Taxpayer deduction: 11 million VND/month (132 million VND/year);
- Dependent deduction: 4.4 million VND/month (for each dependent).

This Resolution take effects from 01 July 2020 and applies from the tax period of 2020.

Taxpayers who have paid and applied the family circumstance deductions specified in Clause 1 Article 19 of the Law No. 04/2007/QH12 on PIT had amended Law No. 26/2012/QH13 may recalculate the personal income tax payable by the deductions specified in this Resolution when preparing the personal income tax finalization of 2020.

### ❖ PIT on expenses for employees during the Covid 19 outbreak

OL No.44403/CT-TTHT dated on 01 June 2020 issued by GDT regarding the PIT calculation for employees' expenses during the Covid-19 epidemic as follows:

In case the Company incurs expenses in purchasing masks, hand-sanitizers, protective equipment and testing employees for infections to prevent the spread of Covid-19, this expense shall be included in taxable income if the names of the recipients are specified, or excluded from taxable income if the recipient is not any specific but the collective of workers.

## 3. VALUE ADDED TAX

### ❖ VAT on contracts, scientific research and technological development

OL No.36767/CT-TTHT dated 18/05/2020 of GDT guidance on policies for CIT and VAT of technology research and development contracts. For contracts of tasks performance signed between business establishments and the Ministry of Planning and Investment as follows:

In case, a business is established and registered for scientific and technological activities in accordance with the Laws performs contract of scientific and technological service as prescribed in the Law on Science and Technology, the Company shall declare and pay VAT according to the Law on VAT and with the rate of 5%.

### ❖ Guidance on VAT policy for promotions

OL No.40840/CT-TTHT dated on 25 May 2020 guiding on the tax policy for promotion programs as follows:

Any taxpayer that receives money from another entity, individual to provide a service such as repair, warranty, sales promotion, or advertising must declare and pay tax as prescribed.

Taxable prices of goods and services used for sales promotion according to trade laws are zero (0). Otherwise, the goods and services used for sales promotion but not conformable with trade laws, taxpayers should declare and pay VAT as goods for internally used, gift, or donated.

Example: If goods or services are provided free of charge as samples or gifts, taxable prices are zero (0).

### ❖ Regarding VAT refund for investment projects

OL No.1393/TCT-KK dated on 01 April 2020 of the MOF guidance on VAT refund for investment projects are as follows:

The new establishment from investment projects have been registered for business and VAT by deductible method, or projects of

exploration and development of oil and gas fields in the investment process and not yet come into operation, VAT on goods and services used for investment shall be refunded by year if the investment period is from a year (12 months) or more. In case, the accumulated of VAT on purchased goods and services used for investment is VND 300 million or more, the Company is enabled to refund VAT.

An active establishment with a deductible method of VAT has a new investment project (except investment project of constructing houses for sale) in the same province and in the investment phase, the taxpayer should declare tax of this project separately and offset the input VAT of the project with the VAT of the ongoing business. The maximum deductible VAT of the project is equal to the VAT payable of the ongoing business in the period.

#### ❖ **Supplement VAT declaration**

OL No.53798/CT-TTHT dated on 18 June 2020 of GDT guidance on VAT and CIT declaration is as follows:

In case, there is the supplement for VAT but not to change the amount of tax payable, deductible tax, or refunded tax, the taxpayer should only prepare the supplement VAT declaration of the period with errors together with explanatory documents, not prepare Explanatory of adjusting and supplement form No. 01/KHBS.

In case, taxpayers make additional declarations and lead to increase the payable tax amounts, taxpayers should prepare supplement dossiers and self-determine the fine on late payment based on the additional payable amount, the number of late days and the rate as prescribed. In case, the taxpayer fails or incorrectly determines the late payment amounts, the tax authority shall determine the late payment amount and notify the taxpayer.

## **4. INVOICES**

### ❖ **Guidance on canceling invoices that are no longer used**

OL No. 8890/CT/TTHT dated on 02 March 2020 regarding the handling of violations on invoices, guiding on destruction of invoices that are no longer used as follows:

The Company must cancel all invoices that are no longer used. Invoices should be destroyed within 30 days from sending a notification to the tax authority. In case the tax authority has notified invoice expiration (except for the cases in which tax debt payment is enforced), invoices must be canceled within 10 days from notification of expiration from the tax authority or lost invoices are found.

### ❖ **Guidance on preparing date of electronic invoices**

OL No. 49815 dated on 10 June 2020 stipulated on the signing date of electronic invoices as:

The date of a goods sale invoice is the date of transferring useful rights or ownership to the buyer whether payment is collected or not.

The date of a service provision invoice is the date of completing service whether payment is made or not. In case the service provider collects payment in advance or during the service provision, the invoice date is the payment date.

The date of an invoice for construction or installation is the date of acceptance, handover constructions, construction items, the volume of installation, construction and completion whether payment is collected or not.

- In case of multiple delivery or handover by items or stages, the Company should issue invoices for each time to the quantity and value of goods or services handing over.
- In case, the organization sold real estate, constructed infrastructure and houses for sale, and collects money by the project progress or payment schedule, the date of the invoice is the date of payment.

## ❖ Instructions for using electronic invoices with more than one page

OL No.50613/CT-TTHT dated on 11 June 2020 issued by GDT guided on using electronic invoices for more than one page as follows:

To conform with characteristics of e-invoice, in case of converting e-invoice into paper, if the quantity of goods or services sold exceeds the number of lines of an invoice page, the Company shall perform the same case of using self-printed invoices that are prepared and printed directly from the software and the quantity of goods or services sold is more than the number of lines of an invoice page, specifically as:

The company may print more than one page of invoices if the next invoice shows the same invoice number (automatically granted by the computer system); name, address and tax code of the buyer and seller; form and invoice series as the first page; and note in Vietnamese that "continuous previous page - page X/Y" (where X is the page number and Y is the total number of pages of the invoice).

## B. LABOR

### **An employee who signed a labor contract or working contract with term for a month or more should be considered as employed.**

Decree No. 61/2020/ND-CP dated on 29 May 2020 amended and supplemented some articles of Decree No. 28/2015/ND-CP dated on 12 March 2015 detail prescribed on implementing the provision of unemployment insurance in the Law on Employment. The Decree amended the basis to consider an employment, determine to stop enjoying unemployment insurance as follows:

- From 15 July 2020, employees will be considered employed and stopped enjoying unemployment insurance allowance after signing fixed term employment contract, seasonal employment contract or conduct an specific project from 1 month or more. (Not 3 months as prescribed in Decree No. 28/2015 / ND-CP).
- The date the employee is determined to be employed is the date the employment contract take effect as prescribed by law.

Ký hiệu viết tắt	
MOF	CIT
Ministry of Finance	Corporate Income Tax
GDT	TNCN
General Department of Taxation	Personal Income Tax
OL	VAT
Official Letter	Value Added Tax

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*This newsletter aims to update and summarize general regulations associated with tax, accounting, investment and labor in Vietnam. You should refer to expertise before making decision.*