

1. PERSONAL INCOME TAX

❖ Determine the monthly or quarterly PIT declaration period

Decree 126/2020/ND-CP amending regulations on organizations and individuals paying salaries and wages which withhold personal income tax to declare personal income tax on a monthly basis.

For organizations and individuals are eligible to declare value added tax on a quarterly basis, they may choose to declare personal income tax on a quarterly basis, details:

- If the company declares VAT on a monthly basis, it must declare PIT on a monthly basis.
- If the company declares VAT on a quarterly basis, it must declare PIT on a quarterly basis.
- **If the company is an export processing enterprise (not declaring VAT), it must declare PIT on a monthly basis.** (If the company wants to declare PIT on a quarterly basis, the company must send an official letter to the tax authority).

Decree 126/2020/ND-CP amending regulations on individuals earning incomes from salaries and wages directly subject to tax declaration may choose to declare personal income tax on a monthly or quarterly basis.

❖ PIT withholding when receiving stock dividends

On 11 January 2021, the Hanoi Tax Department issued Official Letter No. 1181/CTHN-TTHT on PIT withholding when receiving dividends by stocks, under which:

The company declares and pays tax on behalf of an individual received dividends by shares, individuals who are existing shareholders received bonuses by shares, individuals are recognized for increased capital contribution due to increased capital gains, individuals contributing capital with real estate, capital contributions, securities contract. The time to declare and pay tax on behalf of an individual is the time of transferring securities of the same type, transferring capital or withdrawing capital is specified in Clause 5, Article 7 of Decree No.

126/2020/ND-CP dated 19 October 2020 of the Government above.

❖ Guide to tax registration

Circular No. 105/2020/TT-BTC dated 03 December 2021 of the Ministry of Finance guiding on tax registration.

The Circular is effective from 17 January 2021.

In compared to the Circular No. 95/2016/TTBTC, the Circular includes the following outstanding new points:

1. Deadline for taxpayer registration

Circular No. 105/2020/TT-BTC does not promulgate this content and follows regulation at Clause 33 Law on tax administration No. 38/2019/QH14. Accordingly, in case an individual does not have a tax code, his/her income payer shall apply for taxpayer registration on his/her behalf in no later than 10 working days starting from the date tax liabilities are incurred.

Previously, the deadline is no later than 10 working days before the date of submitting annual personal income tax finalization.

2. Deadline for submitting applications for amendment of taxpayer registration information, leading to change of tax administration authority

The deadline for submitting applications to amending taxpayer registration information at the direct tax management authority change to is within 10 working days from the date of issuing notification of relocation from the previous direct tax management authority.

Previously, this deadline is 10 working days from the date the taxpayer received the notification of relocation from the tax office where the Company moves out.

2. CORPORATE INCOME TAX

❖ Deductible expenses and tax reduction for enterprises employing female employees

Official Letter No. 104146/CTHN-TTHT dated 03 December 2020 issued by the Hanoi Tax Department

In case enterprises recruited female employees and incurred additional expenses for them, the expenses are considered as reasonable expenses for when determining CIT if the expenses meet the conditions in Article 4, Circular No. 96/2015/TT-BTC.

The Company is entitled to CIT reduction corresponding to the additional amount actually paid for female employees according to the regulation in Clause 1, Article 21, Circular No. 78/2014/TT-BTC.

❖ **The exemption and reduction of corporate income tax for science and technology enterprises specified**

Circular No. 03/2021/TT-BTC provides guidance on exemption and reduction of CIT for science and technology enterprises in accordance with the Law on Science and Technology and the Government's Decree No. 13/2019/NĐ-CP dated 01 February 2019 on science and technology enterprises and relevant agencies, organizations and individuals.

Accordingly, these enterprises are exempted from tax in 04 years and reduced by 50% of tax payable in the next 9 years if satisfying the requirements.

3. VALUE ADDED TAX

❖ **VAT treatment for compensation goods**

Official Letter No. 141/CTHN-TTHT dated 04 January 2021 issued by the Hanoi Tax Department on compensation goods:

When compensating customers by goods, enterprises must issue an invoice, declare and pay VAT similarly to normal goods sales. For goods that are not subject to VAT, the enterprise shall issue VAT invoice with the sales price is selling price, and tax rate and VAT amount being crossed.

The expense for purchasing compensation goods would be deductible for CIT purposes if it meets the requirement under Article 4 of Circular No. 96/2015/TT-BTC.

4. OTHER

❖ **Official Letter No. 271/TCT-TTKT dated 27 January 2021 of the General Department of**

Taxation on introduction new regulations of Decree No. 132/2020/ND-CP

On 27 January 2021, the General Department of Taxation promulgates Official Letter No. 271/TCT-TTKT on introducing new points of the Decree No. 132/2020/ND-CP about tax administration to related-parties transactions of enterprises, outstanding points as follows:

- **Amending and supplementing regulations regarding related parties:** A related enterprise performs the disposition or acquisition transaction in at least 25% of their equity within a tax period; the borrowing or lending transaction in at least 10% of their equity performed at the transaction time falling within a tax period with a person holding the executive office or the controlling interest in the enterprise, or with a person in one of the relationships prescribed in paragraph g of this clause.

- **Amending and supplementing regulations deductible loan interest cost and adding exceptions to the regulations on limits to cost of interest on loans:**

Total loan interest cost arising after deducting deposit interests and lending interests within a specific taxation period which is deducted during the process of determination of income subject to the corporate income tax is not 30% more than the net profit generated from business activities within the taxation period plus loan interest costs arising after deducting deposit interests and lending interests arising within the taxation period plus depreciation/amortization expenses arising within that period of a taxpayer.

The portion of loan interest cost which is non-deductible as prescribed in paragraph a of this clause is carried forward to the next taxation period for the determination of total loan interest cost deductible if total loan interest cost deductible in the next taxation period is lower than the amount prescribed in paragraph a of this clause. The loan interest costs may be carried forward for a maximum consecutive period of 05 years, counting from the year following the year in which non-deductible loan interest costs arise.

The provision in paragraph a of this Clause shall not apply to loans of taxpayers that are credit institutions as defined in the Law on Credit Institutions; insurance companies as defined in Law on Insurance Business; ODA

loans and concessional loans of the Government which are granted to enterprises in the on-lending form; loans intended for implementing national target programs (including new rural area development programs and sustainable

poverty reduction programs); loans invested in programs or projects for implementation of State social welfare policies (e.g. resettlement housing, worker or student housing and social housing, and other social welfare projects or programs).

Abbreviations

OL	CIT
Official Letter	Corporate Income Tax
GDT	PIT
General Department of Taxation	Personal Income Tax
TIN	VAT
Tax Identification Number	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.