

1. CORPORATE INCOME TAX

❖ CIT policy on interest from bank deposit

OL No. 57306/CTHN-TTHT dated 23 November 2022 issued by Hanoi Tax Department stipulated the CIT policy on interest from bank deposits as follows:

The guidance of the Tax Department on CIT law does not stipulate the determination of incomes expected to be collected but not actually incurred to be included in the taxable income in the tax period.

In case, the income from interest on deposits and capital loans is higher than the payment of loan interest as prescribed, the remaining difference shall be included in other income when determining taxable income after offsetting.

❖ Corporate Income Tax (“CIT”) incentives for science and technology enterprises

OL No. 64221/CTHN-TTHT on 26 December 2022 issued by Hanoi Tax Department guidances on CIT incentives for science and technology enterprises as follows:

Science and technology enterprises that satisfied the conditions specified in Article 2 of Circular 03/2021/TT-BTC dated 11 January 2021 of the MOF are entitled to CIT incentives:

- Tax exemption for the first 4 years
- Reduce 50% of CIT payable for the next 9 years for income on production and trading of products from scientific and technological.

Tax exemption and reduction period is continuous from the issuance date of the Science and Technology Enterprise Certificate.

2. PERSONAL INCOME TAX

❖ Determination of PIT for foreigners

OL No. 4571/TCT-DNNCN dated 7 December 2022 issued by GDT regulated on the determination of PIT amount for foreigners as follows:

When preparing PIT finalization, the taxable income of a foreign individual with two or more sources of income is determined as follows:

- On the Company's side, the Company monthly calculates house rent according to the actual amount paid on behalf but does not exceed 15% of the total taxable income (Gross income) arising (not including rent, electricity and water, and other attached services (if any)) by the Company regardless the place of income paying is Vietnam or Japan.
- For foreign individuals, taxable income for PIT finalization is determined as income arising inside and outside the territory of Vietnam regardless of where the income is paid.

❖ Regulations on determining deducted PIT from salaries and wages, sanctioning of administrative violations and refunding PIT

OL No. 61433/CTHN-TTHT on 12 December 2022 issued by Hanoi Tax Department stipulated on determining withheld PIT from salary and wages, sanctioning administrative violations and refunding PIT as follows:

- For employees are subject to tax finalization according to regulations, the annual taxable income is the total taxable income of each month.
- In case of a false tax declaration leading to a lack of tax payable, a tax administrative violation will be sanctioned.
- Application for PIT refund from salaries and wages of authorized individuals and the deadline for processing tax refund dossiers should comply with the provisions of Article 42 of Circular No. 80/2021/TT-BTC dated 29 September 2021 of the MOF and Article 75, Law on Tax Administration No. 38/2019/QH14 dated 13 June 2022 of the National Assembly.

❖ Authorization for PIT finalization

OL No. 289/CTHN-TTHT dated 04 January 2023 issued by Hanoi Tax Department guidance on the authorization of PIT finalization as follows:

In case an employee signs a separate labor contract with two companies and both withhold, declare, and pay PIT on monthly basis according to the partially progressive tariff, the employee is not entitled as a resident individual

with income from salaries and wages to authorize tax finalization to income paying organizations, individuals according to the provisions of Point Article 2, Clause 6, Article 8, Decree 126/2020/ND-CP dated 19 October 2020 of the Government.

3. VALUE ADDED TAX

❖ VAT refund policy in case of export entrustment

OL No. 60513/CTHN-TTHT dated 08 December 2022 issued by Hanoi Tax Department guides on the VAT refund policy of export entrustment as follows:

Cases eligible for input VAT refund:

- Exported goods (including export entrustment): with input VAT that has not yet been deducted from 300 million VND or more in a month/quarter (specified in Article 2, Circular No. 25/2018/ TT-BTC of the MOF).
- Exported goods, goods that are considered to be exported: must meet the conditions and procedures specified in Article 16 and Article 17, Circular No. 219/2013/TT-BTC of the MOF.

Companies with goods entrusted to export shall issue invoices according to the provisions of Point b, Clause 3, Article 13, Decree No. 123/2020/ND-CP of the Government as a basis for refunding VAT.

4. E-INVOICE

❖ Implement e-invoice with tax authority code generated from the cash register.

OL No. 4517/TCT-DNNCN dated 05 December 2022 granted by GDT guidance on the implementation of e-invoices with the tax authority's code generated from the cash register as follows:

The GDT has summarized the number of businesses organizations and households in each industry which directly to consumers may execute the e-invoices generated from the cash register in the 1st phase of each Tax Department.

Timeline of execution:

- Phase 1 - After the official announcement of the Electronic Invoice Program with the tax authority's code generated from the cash register (expected to be announced on 15 December 2022) to the end of March 2023, executed 100% of businesses organizations

and households in the group that can implemented e-invoices generated from cash registers according to the announced list of GDT:

- Group 1: Catering, restaurant and hospitality
- Group 2: Consumption retails (commercial centers; supermarkets; retail of consumer goods)
- Group 3: Retail of medicine and modern drugs
- Group 4: Other services (entertainment services, road and bridge tickets, bus tickets, sightseeing tickets, tourism...)
- Subsequent Phases: From 01 April 2023, each Tax Department proactively makes a list and organizes the implementation for the remaining businesses organizations and households then report the results to GDT.

5. LABOR

❖ Increase the compensation level for hard and hazardous labor

Circular No. 24/2022/TT-BLDTBXH dated 30 November 2022 granted by MOLISA stipulated the compensation in kind for employees working in dangerous and hazardous conditions as follows:

From 01 March 2023, employees working in heavy, hazardous and dangerous environments will be entitled to increased compensation in kind respectively as follows:

- Level 1: from 10,000 to 13,000 VND/day
- Level 2: from 15,000 to 20,000 VND/day
- Level 3: from 20,000 to 26,000 VND/day
- Level 4: from 25,000 to 32,000 VND/day

The Circular takes effect from 01 March 2023 and replaces Circular No. 25/2013/TT-BLDTBXH dated 18 October 2013.

❖ New HI assessment process: Parallely executing 2 forms of assessment

Decision No. 3618/QD-BHXH dated 12 December 2022 granted by the Social Insurance Department of Vietnam regulated the process of HI assessment as follows:

From 01 January 2023, the HI assessment process will be executed in two forms parallely, including proactive assessment (an assessment directly performed by the SI agency) and automatic inspection (an inspection using software to check information in electronic data).

In addition, the new assessment process also guides in detail the expertise of medical examination and treatment costs covered by HI

in three forms: assessment of data; assessment of records, documents and assessment of direct payment.

Abbreviations

OL

Official Letter

CIT

Corporate Income Tax

PIT

Personal Income Tax

VAT

Value Added Tax

MOLISA

Ministry of Labor, Invalids and Social Affairs

SI

Social Insurance

HI

Health insurance

MOF

Ministry of Finance

GDT

General Department of Taxation

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This newsletter aims to update and summarize the general provisions related to Taxation, Accounting, Investment and Labor in Vietnam. You should seek professional advice before making a decision.