

1. CORPORATE INCOME TAX

❖ Tax policy in case the Company does not directly sell goods to consumers but by the system and retail facilities of distributors

OL No. 786/TCT-CS dated 20 March 2023 issued by the Tax Department of Ha Noi guides as:

- The Company does not directly sell goods to consumers but by a system of distributors (direct purchase of the Company) and the distributor's retail point (buying through the distributor), the Company only supports cash for the retail facilities via the distributor if the retail achieves the committed output according to the Company's regulations. In addition, the Company only supports bonuses for sales staff of distributors who are not employees of the Company. The above expenditures are not entitled to determine as deductible expenses when calculating CIT taxable income as prescribed in documents on CIT Law.
- Regarding PIT: According to Circular No. 111/2013/TT-BTC dated 15th August 2013 granted by the MOF, in case the Company directly pays bonuses to employees of the Distributor, the Company is responsible for deducting PIT by stipulations.

2. VALUE ADDED TAX

❖ VAT refund policy for businesses

OL No. 37938/CTHN-TTHT dated 31 May 2023 issued by the Tax Department of Ha Noi guides as:

From 01 May 2018, the Company is not entitled to refund VAT in cases of goods that have been *imported* and then exported but not implemented in the operated customs locality as prescribed in Clause 4, Article 2 of Circular No. 25/2018/TT-BTC.

❖ VAT reduction policy

Notice No. 2298/TB-TTKQH dated 17 May 2023 of the National Assembly Standing Committee specifically regulates as follows:

The National Assembly Standing Committee unified the scope of application for VAT reduction (to 8%) policy as specified in Resolution No. 43/2022/QH15 dated 11 January

2022 guidance on fiscal policy and monetary policies to support the program of socio-economic recovery and development.

The period of the tax reduction policy is from 01 July 2023 to 31 December 2023.

3. PERSONAL INCOME TAX

❖ PIT on examination fees for certification

OL No. 19297/CTHN-TTHT dated 6 April 2023 issued by the Tax Department of Ha Noi guides as:

In case the Company incurs expenses for training employees to improve their qualifications and work capacity which is specified in the Company's labor regulations and has sufficient legal invoices and documents, the expenses should not be included in the employee's taxable income as prescribed in Article 6, Point d, Clause 2, Article 2 of Circular No. 111/2013/TT-BTC dated 15 August 2023 by the MOF.

4. OTHER TAXES

❖ Refund of import tax for foreign processing products

OL No. 2093/TCHQ-TXNK dated 04 May 2023 issued by General Department of Customs specifies as:

In case, the Company imports raw materials for exported products and then transfers the semi-products all manufactured from imported raw materials to foreign companies for processing. The Company is exempted from export tax on imported materials and semi-products manufactured from imported materials to foreigner re-processing. Products manufactured or processed by foreign companies in other countries and re-imported into Vietnam must pay import tax as prescribed at Point d, Clause 1, Article II of Decree No. 134/2016/TT-BTC (exempt the value of raw materials, supplies, and components constituting exported for processing products and the remaining product value is subject to tax at the import tax rate of the imported processing products). Imported processing products that continue processing in Vietnam and then exporting abroad are not eligible for import tax refund specified in Article

19 of the Import-Export Tax Law No. 107/2016/QH13.

❖ **Import tax on processed goods imported from non-tariff zones**

OL No. 2093/TCHQ-TXNK dated 04 May 2023 issued by General Department of Customs guides as:

In case, the domestic Company transfers products for processing to EPEs, the products processed by EPEs re-imported into the inland of Vietnam must declare and pay import tax as prescribed in Clause 2, Article 22 of Decree No. 134/2016/ND-CP. The import taxable value is the processing fee, the value of the raw materials for processing provided by the foreign party, and other adjustments (if any) according to the provisions of Clause 3, Article 17 of Circular No. 39/2015/TT-BTC, not including the value of supplies and raw materials that domestic enterprises send to EPEs for processing.

5. INVOICE

❖ **Issue e-invoices with the tax authority's code each time arising**

OL No. 37935/CT-TTHT dated 31 May 2023 issued by the Tax Department of Ha Noi guidance as:

- In case, the Company pays VAT under the deduction method, which compulsorily stops using invoices by the executive tax authority, is granted an electronic invoice with the tax authority's code for each issuance arising, the Company should send an application for issuance of an electronic invoice with the tax authority's code by Form No. 06/DN-PSĐT Appendix IA attached with Decree No. 123/2020/ND-CP of the Government to the tax authority and access to E-invoice system of tax authorities to issue e-invoices as prescribed in Clause 2, Article 13 of Decree No. 123/2020/ND-CP.
- The order and procedures for receipt, processing, and issuing codes for e-invoices upon each generation shall comply with the guidance in Article 12 of Decision No. 1447/QD-TCT by the GDT.

❖ **Issuing invoice of 2% VAT reduction according to Decree No. 15/2022/ND-CP**

OL No. 2121/TCT-CS dated 29 May 2023 issued by GDT stipulates as:

- In case goods and services are eligible for VAT reduction according to Decree No. 15/2022/ND-CP detected errors or mistakes after 31 December 2022, the Company must issue an invoice for adjustment or

replacement which does not affect the price or VAT payable or issues replacement invoices at the rate of 8% VAT if the taxable prices have changed. In case, errors in the number of goods lead to wrong taxable incomes and VAT payable, the adjusted invoice shall apply the VAT rate prescribed when issuing the adjustment invoice.

- In case, goods are purchased before 01 January 2023 with a tax rate of 8% and the buyer returns the goods due to improper specifications and quality after 31 December 2022, the seller should issue a returned goods invoice to reduce or replace the purchased invoice with the VAT rate of 8%, the seller and the buyer have an agreement to clearly state the returned goods.
- In case enterprises apply the commercial discount for customers and commerce goods eligible for VAT reduction at the rate of 8% sold in 2022, the content of discount invoices issued from 01 January 2023 should then:
 - In case, the discount amount is conducted in the last purchase or the next period is after **31 December 2022**, the discount amount of the sold goods shall be **adjusted into the taxable price, applicable tax rate** under the law when issuing discount invoices.
 - In case, the discount amount is conducted at the end of the discount program (period) after **31 December 2022**, the seller should **issue an adjusted** invoice with an applicable rate of 8% at the selling period.
- In case, the Company issues invoices after 31 December 2022 for selling goods and providing services (subject to VAT reduction according to Decree No. 15/2022/ND-CP) arising from 01 February 2022 to 31 December 2022, and the construction and installation has the time of acceptance and handover of works, work items, construction volume, completed installation, (regardless payment has been collected or not) from 01 February 2022 to 31 December 2022, the issuance of invoice after 31 December 2022 is considered as an improper period of issuance. The Company is enabled to apply a reduced tax rate according to Decree No. 15/2022/ND-CP dated 28 January 2022 by Government and sanction for administrative violation on timely invoicing.

Abbreviations

MOF	OL
Ministry of Finance	Official Letter
EPEs	CIT
Exported Processing Enterprises	Corporate Income Tax
MPI	PIT
Ministry of Planning and Investment	Personal Income Tax
GDT	VAT
General Department of Taxation	Value Add Tax
MOLISA	SI - HI
Ministry of Labour, War invalids and Social Affairs	Social insurance – Health insurance

Contract:

KHAI MINH CONSULTING COMPANY LIMITED

Room 603, 6th Floor, Citilight Tower, No. 45 Vo Thi Sau Street

Da Kao Ward, District 1, Ho Chi Minh City, Vietnam

Tel: 84 28 3820 5731 / 2

Fax: 84 28 3820 0906

(English)

Trần Mai Tường Vy

tran.mai.tuong.vy@kmc.vn

Nguyễn Văn Mùi

nguyen.van.mui@kmc.vn

(Japanese)

Lê Quốc Duy

le.quoc.duy@kmc.vn

Nguyễn Thị Thảo Uyên

nguyen.thi.thao.uyen@kmc.vn

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