

# Vietnam Tax Updates September 2021

## Vietnam Accounting & Taxation Changes

This September 2021 publication of our Tax and Accounting Updates looks at supporting business, cooperatives, household of business in the context of COVID-19; debt rescheduling, exemption and reduction of interest and fees for customers affected by COVID-19; draft of economic recovery plan to organise safe production in Ho Chi Minh City after 15 September 2021; guideline for determining expenses related to COVID-19 when calculating CIT and PIT; conditions for application of 5% VAT rate for imported medical equipment and guidance for delaying paper document submission due to COVID-19 pandemic for customs declaration.

### **SUPPORTING BUSINESSES, COOPERATIVES, HOUSEHOLDS OF BUSINESS IN THE CONTEXT OF COVID-19**

On 9 September 2021, the Government released Resolution 105/NQ-CP to support businesses impacted by COVID-19. Resolution 105 breaks the support into four main groupings:

1. Prioritising vaccines, focussing on health and testing, and promoting the development of further vaccines and treatments.
2. Ensuring production and supply chain maintenance and promotion, using "green channels" to ensure supply chains are not interrupted and essential goods are circulated. This also direct the accepted of scanned copies of documents to ensure clearance of goods.
3. Providing support for businesses facing financial difficulties by way of relief measures.
4. Assisting employment, including relaxing regulations for employment of foreign experts and permitting employers to negotiate with employees for additional overtime.

The Resolution directs a range of Ministries and similar to implement the policies from the four groupings, and therefore we will expect to see specific solutions and implementations in the coming period.

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## DEBT RESCHEDULING, EXEMPTION AND REDUCTION OF INTEREST AND FEES FOR CUSTOMERS AFFECTED BY COVID-19

On 7 September 2021, the State Bank issued Circular 14/2021/TT-NHNN amending and supplementing Circular 01/2020/TT-NHNN stipulating the rescheduling of debt repayments, exemptions and reduction of interest and fees to support customers affected by COVID-19. Accordingly, credit institutions and foreign bank branches are to reschedule repayment terms for the outstanding balances of principal and/or interest of a debt where the following conditions are satisfied:

1. Obligations arising before 1 August 2021 from lending and financial leasing activities.
2. Having obligations to repay principal and/or interest from 23 January 2020 to 30 June 2022.
3. The outstanding balance of a debt whose repayment term is rescheduled in one of the following cases:
  - a. The outstanding balance of the debt is due or overdue up to 10 days from the due date according to the contract or agreement, except for the case specified at b, c or d below.
  - b. The outstanding balance of the debt arising before 23 January 2020 and overdue between 23 January 2020 and 29 March 2020.
  - c. The outstanding balance of the debt arising from 23 January 2020 but prior to 10 June 2020, and overdue before 17 May 2021.
  - d. The outstanding balance of the debt arising from 10 June 2020 but prior to 1 August 2021, and overdue from 17 July 2021 but prior to 7 September 2021.
4. Being assessed by a credit institution, or foreign bank branch of a customer's inability to repay the loan principal and/or interest on time due to a decrease in revenue and income caused by the impact of the COVID-19 pandemic.
5. The customer has requested to reschedule repayments, and the credit institution or foreign bank branch evaluates that the customer has the ability to repay the principal and/or interest according to the rescheduled repayment term.
6. Credit institutions and foreign bank branches are not to reschedule debt repayment terms for debts in violation of laws or other provisions.
7. The period for debt rescheduling (including debt extension) is suitable to the extent of the impact of the COVID-19 pandemic on customers and must not exceed 12 months from the date the credit institution or foreign bank branch rescheduling the repayment term or from the due date of each debt balance or the repayment term rescheduled.
8. The rescheduling of repayments for customers is to be carried out until 30 June 2022.

In addition, the exemption and reduction of interest and fees for customers following internal policies of credit institution or foreign bank branch for debts incurred before 1 August 2021, and having obligations to repay principal and/or interest in the period from 23 January 2020 to 30 June 2022, implemented until 30 June 2021, are also included in the Circular.

The Circular 14/2021/TT-NHNN took effect from 7 September 2021.

## DRAFT OF ECONOMIC RECOVERY PLAN TO ORGANISE SAFE PRODUCTION IN HO CHI MINH CITY AFTER 15 SEPTEMBER 2021

According to Official Letter 2789/BCD-VX dated 20 August 2021, manufacturing enterprises can only continue to operate if they satisfy one of the requirements in Plan 2715/KH-BCD dated 15 August 2021:

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- Option 1: the enterprise adopts the "produce on the spot - eat on the spot - rest on the spot" (commonly referred to as the 3 in 1 approach).
- Option 2: the enterprise organises several places of centralised residence in different locations and the transportation of workers from the centralised residence to the workplace.
- Option 3: "green workers" can travel by personal vehicle between "green workplace", "green residence" along a "green road" (do not stop, park along the road and do not cross the areas of high and very high risk of infection) in suitable time frames.
- Option 4: combine the methods mentioned in the above options.

However, as not all businesses could meet the safety requirements, Ho Chi Minh City's Draft of Economic Recovery Plan considers applying more flexible and proactive approaches for business recovery while ensuring safety, health and morale for employees.

Key points of the Reboot Recommendation:

- Provide a prudent operating framework so that both enterprises and the government can control the scale in accordance with the capacity of enterprises and localities (30% - 50% - 70%).
- Take advantage of enterprises' resources available in the market to reduce the burden on the local health system and strengthen the commitment of enterprises.
- Enhance safety at the production site through the recommendation to supplement the regulation that employees wear anti-droplet masks, radically separate streams, and arrange more "safety buffer zones".
- Provide tools and measures for local authorities to monitor implementation.

## **GUIDELINE FOR DETERMINING EXPENSES RELATED TO COVID-19 WHEN CALCULATING CIT AND PIT**

On 13 August 2021, The Tax Departments of Hanoi issued Official Letter 31557/CTHN-TTHT answering questions about determining costs related to COVID-19 prevention when calculating CIT and PIT.

## **Determining CIT deductible expenses**

- For expenses incurred for the isolation of employees: If the labour contract indicated that housing expenses to be paid by the enterprise to the employee, the amount paid to the isolation facility would be included in the deductible expenses when determining income subject to CIT, providing there are sufficient invoices and documents and payment made in accordance with regulations.
- COVID-19 testing and vaccination expenses for employees is considered a welfare expense directly paid to employees. If these expenses are made according to the provisions and the total expenditure with welfare nature not exceeding one month's average salary made in the tax year of the enterprise, with sufficient invoices and supporting documents, they will be CIT deductible.

## **Determining PIT deductible expenses**

Where a company incurs expenses to prevent the COVID-19 pandemic as prescribed by law, if these expenses clearly state the name of the beneficiary, they are to be included in taxable income subject to PIT as prescribed in Item đ.3.2, Clause 2, Article 2 of Circular 111/2013/TT-BTC.

## **CONDITIONS FOR APPLICATION OF 5% VAT RATE FOR IMPORTED MEDICAL EQUIPMENT**

On 18 August 2021, the General Department of Customs issued Official Letter 4069/TCHQ-TXNK to the Customs Departments of provinces and cities on VAT for imported medical equipment.

Accordingly, Circular 43/2021/TT-BTC (effective from 1 August 2021) stipulates the conditions for applying the 5% VAT rate for medical equipment that meets one of the following conditions:

- Having an Import License, or
- Having a Certificate of Circulation Registration, or
- Having a receipt for the application for publication of standards in accordance with the law on health, or
- Included in the list of medical equipment under the specialised management of the Ministry of Health,

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coded according to the list of exported and imported goods of Vietnam, promulgated together with Circular 14/2018/TT- MOH dated 15 May 2018 of the Minister of Health.

## **GUIDANCE FOR DELAYING PAPER DOCUMENT SUBMISSION DUE TO COVID-19 PANDEMIC FOR CUSTOMS DECLARATIONS**

On 11 August 2021, the General Department of Customs issued Official Letter 3980/TCHQ-GSQL on support for customs clearance of goods to prevent and control the COVID-19 pandemic.

Accordingly, the customs declarant declares and submits a complete set of required documents through the customs electronic data processing system. If any documents are required to be submitted in hard/ paper copy (original or notarised/certified copies) and

the declarant requests for late submission of these documents, the Director of the Sub-department of Customs will guide the customs declarant to declare on the electronic customs returns. Then they will submit the paper document converted to an electronic document (scanned copy certified by digital signature) to the customs authority.

The customs declarant must submit the above-delayed documents to the Customs authority within 30 days from the date of customs declaration.

In case of force majeure, because the enterprise or the Customs Sub-Department is in an isolated area, according to the directives of the Government or the People's Committees of the provinces and cities, the customs declarant is unable to submit documents properly. They must submit the delayed documents to the customs authority within 5 working days from the end of the isolation period.

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