Vietnam Accounting & Taxation Changes

This December 2018 publication on Tax and Accounting updates covers recent releases from Vietnamese authorities, particularly upcoming changes to payroll costs, along with our regular review of recent Official Letters released by the Tax Authorities.

INCREASE TO MINIMUM MONTHLY WAGE FROM 1 JANUARY 2019

The Vietnamese Government has officially confirmed the previously announced increases to Minimum Monthly Wages from 1 January 2019, through Decree 157/2018/ND-CP. Details of the increases can be seen in Domicile’s 2019 Payroll Quick Guide, which is on our website.

INCREASE TO MINIMUM BASIC WAGE FROM 1 JULY 2019

On 9 November 2018, the National Assembly of Vietnam passed Resolution 70/2018/QH14 covering the State budget for 2019. As a result, from 1 July 2019, the Minimum Basic Wage will increase from 1,390,000 VND per month to 1,490,000 VND per month.

Although the Minimum Basic Wage generally only applies to Government employees (who are paid a multiple of this depending on a range of factors), and should not be confused with the Minimum Monthly Wage that applies to employers in Vietnam, the change will have an impact on employers and employees in Vietnam due to manner in which Social Insurance and Health Insurance caps are linked.

As the maximum contribution caps to which Social Insurance and Health Insurance are required to be calculated and remitted are based upon 20 times the Minimum Basic Wage, the cap above which monthly salaries are not subject to these insurances will increase on 1 July 2019 from 27,800,000 VND to 29,800,000 VND.
Vietnam Tax Updates, December 2018

REMINDERS FOR YEAR END FINALISATIONS AND OBLIGATIONS

As the 31 December year end for the Vietnamese tax year approaches for most in Vietnam, corporate entities & individuals are reminded to be aware of their tax finalisation and reporting obligations.

Corporate entities should have a clear plan for the obligations that apply to their specific situation, and how they intend to comply with their year-end lodgement requirements. Individuals should ascertain whether their employer can undertake their tax finalisation, or whether they will need to finalise themselves (assuming they have tax payable or are owed a refund).

"From 1 July 2019, the Minimum Basic Wage will increase from 1,390,000 VND per month to 1,490,000 VND per month"

OFFICIAL LETTERS RELEASED

Official Letters are releases showing the Tax Authorities’ interpretation and application of Vietnam’s Taxation Laws, providing guidance to taxpayers in Vietnam.

Personal Income Tax (“PIT”) Finalisation for Foreign Employees Ceasing to Reside in Vietnam

On 16 October 2018, the Hanoi Department of Taxation (“HDT”) released Official Letter 69271/CT-TTHT on PIT finalisations for foreign employees who were tax residents but have ceased to reside in Vietnam.

Under Article 21 of Circular 92/2015/TT-BTC, foreign employees who are tax residents in Vietnam are required to finalise their PIT before departing. However, where foreign employees have not carried out their PIT finalisation, they are able to authorise their former employer under the Civil Code to undertake the procedures on their behalf.

The Deadline for submitting PIT finalisation documents in this situation is 45 days from the individual’s final departure date.

Accommodation/Rental Expenses for Visiting Foreign Experts to Vietnamese Companies

On 23 November 2018, HDT issued Official Letter 77722/CT-TTHT providing guidelines on VAT deductions for accommodation/rental expenses of visiting foreign experts to Vietnamese companies.

According to Clause 1, Article 14 of Circular 219/2013/TT-BTC, accommodation or rental expenses paid by a Vietnamese company for foreign experts who are sent to Vietnam under a services contract, will be deductible for VAT where the experts remain paid offshore by the foreign company during their period working in Vietnam. In addition, the services contract must specify that the Vietnamese company is obligated to pay for accommodation costs.
Where foreign experts are paid under a labour contract signed with a Vietnamese company, their accommodation/rental expenses will not be deductible for VAT.

**Foreign Contractor Tax ("FCT") on Machinery Leased from Foreign Entities**

On 22 November 2018, HDT issued Official Letter 77482/CT-TTHT covering FCT on machinery leased from foreign entities.

Where an foreign entity earns income through machinery leases to an enterprise in Vietnam, the foreign entity’s revenue will be subject to FCT. If the foreign entity is not eligible to declare and pay the tax directly, the Vietnamese party will be responsible for withholding FCT on its behalf.

Where the foreign entity sells machinery to the Vietnamese party without services being performed in Vietnam (under the forms provided in Clause 2, Article 2 of Circular 103/2014/TT-BTC), FCT will not arise.

**PIT for Individuals on Income Earned from Capital Investments**

On 7 November 2018, HDT issued Official Letter 74216/CT-TTHT providing guidelines on PIT for individuals on income earned from capital investment activities.

Under Clause 3, Article 2, Circular 111/2013/TT-BTC, dividend income is subject to PIT from capital investment activities. Where the individual converts the dividend into capital, PIT is not payable at the converting date. PIT will be due when the individual disposes of the capital.

Upon disposal of the capital, the individual is responsible for declaring and paying PIT on the gains from capital disposal and PIT on the gains from capital investment activities (The enterprise is not responsible for withholding PIT for the individual following Article 25 and Article 26 of Circular 111/2013/TT-BTC).