

# Vietnam Tax Updates May 2020

## Vietnam Accounting & Taxation Changes

This May 2020 publication of our Tax and Accounting Updates looks at a Draft Resolution on decrease of 2020 Corporate Income Tax for SMEs, other tax, and statutory fees and support for businesses impacted by COVID-19; resolution on allowances for individuals / employees subject to reduction or loss of income, or in underemployment due to COVID-19 pandemic and our regular review of recent Official Letters released by the Tax Authorities.

### **DRAFT RESOLUTION ON DECREASE OF 2020 CORPORATE INCOME TAX ("CIT") FOR SMEs, OTHER TAX, AND STATUTORY FEES AND SUPPORT FOR BUSINESSES IMPACTED BY COVID-19**

The Government has recently released a draft resolution on implementing solutions to deal with difficulties for production and business in response to the COVID-19 pandemic, which cover proposed regulations on decreasing a number of taxes and statutory fees for affected enterprises.

Accordingly, **in order to reduce production and business costs and relax difficulties for enterprises:**

1. The Ministry of Finance is assigned to report to the Government feedbacks and submit to the Standing Committee of the National Assembly and National Assembly in April 2020 regarding:
  - (ii) Adjust the personal deduction and dependent deduction for personal income tax;
  - (iii) Reduce 50% of corporate income tax for small and medium enterprises for 2020 tax year;
  - (iv) Exempt or reduce 50% of VAT rate (currently 10%) for goods and services in difficulty, goods and raw materials used in production to reduce input costs of enterprises;
  - (v) Temporarily reduce and exempt corporate income tax and personal income tax for enterprises and individual business households for 2020 tax year;
  - (vi) Consider VAT refund in 2020 for sectors heavily impacted by COVID-19 (e.g. aviation and tourism)
  - (vii) Research and report to the Government to extend the payment deadline by 1 year for 2019 corporate income tax, value-added tax, personal income tax and land rental (the deferral period stipulated in Decree 41/2020/ND-CP is 5 months); and

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- (viii) Review and report to the Government on the payment deferral for a part of the export tax for 5 months (until the end of Quarter 2, 2020) to encourage exports from enterprises.
- 2. The State Bank of Vietnam chairs and coordinates with ministries, central and local agencies, banks and credit institutions to:
  - (i) Exempt and reduce interest rates, costs for new loans and existing loans of businesses by 2%, especially for loans before the COVID-19 outbreak; and
  - (ii) Provide loans with preferential interest rates for:
    - Medium and large-sized enterprises suffered heavy losses due to COVID-19 (turnover in Quarter 1 and Quarter 2 of 2020 decreased by more than 50%, the number of employees subject to social insurance over 100 employees, and high budget payment), the loan term is from 6-9 months through commercial banks; and
    - Small and micro-enterprises with loan terms of 3-6 months through the Social Policy Bank, Small and Medium Enterprise Development Fund.

## Regarding the entry of foreign experts, managers, and technical workers

1. The Ministry of Public Security, corporate with the Ministry of Defense and the Ministry of Health in applying special entry procedures to experts, business

- managers, and technical labours in foreign-invested projects to be allowed to enter Vietnam to maintain production and business activities of enterprises.
2. The Ministry of Labour, War Invalids and Social Affairs shall extend work permits to foreign experts and technicians working in foreign-invested enterprises; granting work permits to new foreign experts and technicians to replace foreign experts who are not allowed to enter or not return to Vietnam.

## RESOLUTION ON ALLOWANCES FOR INDIVIDUALS / EMPLOYEES SUBJECT TO REDUCTION OR LOSS OF INCOME, OR IN UNDEREMPLOYMENT, SUPPORT FOR ORGANISATIONS IMPACTED BY COVID-19 PANDEMIC

On 9 April 2020, the Vietnamese Government released Resolution 42/NQ-CP on allowances for individual and support on loans for enterprises which are affected by the COVID-19 pandemic

### Applicable individuals and entitlement

- (i) Employees who are under contract suspension period due to the impact of COVID-19 pandemic and cease working without salary for one month or more from 1 April 2020, shall be entitled to VND1,800,000/person/month on a monthly basis; and
- (ii) Employees who have their labour contract terminated and are ineligible for unemployment benefits; labours who are not in a labour contract and lose their jobs shall be entitled to VND1,000,000/person/month on a monthly basis.

The entitlement period is according to the actual time of suspended/terminated period of labour contract, and dependent on the actual situation of the pandemic but no more than 3 months. The applicable period is from April to June 2020.

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## Applicable enterprises/organisations and entitlement

- (i) Organisations who have financial difficulties and have paid at least 50% salaries for employees in the suspension period (as per Clause 3, Article 98 of the Labour Code) from April 2020 to June 2020 are allowed to have unsecured loans up to 50% of minimal regional salaries at 0% interest rate for 12 months from Vietnam Social Policies Bank to pay the remaining salaries on a monthly basis; and
- (ii) Individual business households that have a tax return of less than VND100 million/year which temporarily suspend their business from 1 April 2020 are entitled to VND1,000,000/household/month depending on the actual situation of the pandemic but not more than 3 months.

Other subjective (for social protection beneficiaries, poor households, people with meritorious services to the revolution) and their entitlement are also covered in the Resolution.

## Guidance on Implementation

After the Resolution is released, on 24 April 2020, the Government issued Decision 15/2020/QĐ-TTg guiding implementing the support stipulated in the Resolution. The detailed conditions and processes are clarified for each category of entitled subjects in the Decision.

“ The Government has recently assigned the Ministry of Finance to propose regulations on decreasing a number of taxes for enterprises affected by the COVID-19 pandemic ”

## OFFICIAL LETTERS RELEASED

### VAT Rate for Providing Services to Foreign Parties

On 6 April 2020, the General Department of Taxation issued Official Letter 3472/CT-TTHT regarding the applicable VAT rate when providing services to foreign parties.

According to Clause 1b, Article 9 Circular 219/2013/TT-BTC of the Ministry of Finance, the VAT rate of 0% is applicable for exported goods and services sold to organisations or individuals in foreign countries, which must be consumed outside Vietnam.

When a Vietnam company engages in a contract with a foreign organisation to provide research and information collection services, liaise with Vietnamese suppliers on their behalf and perform necessary tasks to promote trading between suppliers and foreign customers then these services are considered as being consumed in Vietnam. Therefore, they are subject to a standard VAT rate of 10%.

### Applicable Foreign Contractor Tax (“FCT”) Rate for Machinery, Equipment Imported from an Overseas Vendor, and FCT for Per Diem for Experts of the Foreign Contractor sent to Vietnam to Install Imported Goods

On 14 April 2020, the Hanoi Department of Taxation issued Official Letter 23242/CT-TTHT guiding on foreign contractor tax for per diem for experts of the foreign contractor sent to Vietnam to install imported machines.

In case a company signs a purchase contract of machinery and equipment from an overseas vendor to sell to customers in Vietnam, then the overseas vendor is subject to FCT. Where the contractor does not meet the conditions (according to Article 8, Section 2, chapter 2 of Circular 103/2014/TT-BTC) to self-declare the FCT, the Vietnam company is responsible for declaring and paying the FCT on behalf of the vendor.

Under the agreement, if the overseas vendor provides goods together with installation services, repairs or

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technical assistance, and the contract separates between value of the machinery, equipment and value of accompanying services, the Company shall apply the tax rate to calculate the FCT (VAT, CIT) according to the instructions in Article 12, Article 13 of Circular 103/2014/TT-BTC is as follows:

- For the value of the machine:
  - VAT: Do not pay VAT on the value of the machine if import VAT has been paid or not subject to VAT.
  - CIT: 1% on taxable revenue

- For the value of accompanying services:
  - VAT: 5% on taxable revenue
  - CIT: 5% on taxable revenue

In case the Company pays for travelling expenses on behalf of the overseas vendor, such as air tickets, accommodation for experts sent to Vietnam to provide installation services, the taxable revenue for the FCT will include payments of these expenses.

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[vietnam@acclime.com](mailto:vietnam@acclime.com)

[vietnam.acclime.com](http://vietnam.acclime.com)

### FOR FURTHER INFORMATION CONTACT:

**Matthew Lourey**  
Managing Partner  
[m.lourey@acclime.com](mailto:m.lourey@acclime.com)

**Thao Do**  
Manager, Tax & Accounting Services  
[thao.do@acclime.com](mailto:thao.do@acclime.com)

**Phung Nguyen**  
Manager, Tax & Accounting Services  
[phung.nguyen@acclime.com](mailto:phung.nguyen@acclime.com)

### Acclime Vietnam

**Ho Chi Minh City:**  
Level 9, Abacus Tower  
58 Nguyen Dinh Chieu, District 1  
Phone: (028) 6291 5779

**Hanoi:**  
Level 13, Hanoi Tower  
49 Hai Ba Trung, Hoan Kiem District  
Phone: (024) 3226 3314

**Danang:**  
Level 3, Indochina Riverside Tower  
74 Bach Dang, Hai Chau District  
Phone: (0236) 366 4662

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