



FTAC AUDITING AND CONSULTING COMPANY LIMITED

TAX UPDATES DECEMBER 2020



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DECEMBER 2020

THIS UPDATE INCLUDES THE FOLLOWING CONTENT

27 December 2020 | Resolution No. 178/NQ-CP to the proposal of the Ministry of Finance (MoF) that materials imported under contract manufacturing arrangements, which are then sent to subcontractors (“subcontracted materials”) for further processing, are eligible for import duty exemption.

09 October 2020 | Official letter No. 12452/TCT-CS about Covid 19

09 October 2020 | Official letter No. 89924/TCT-CS about Covid 19

10 November 2020 | Official letter No. 97748/TCT-CS about Covid 19

26 November 2020 | Official letter No. 5032/TCT-CS about Covid 19

03 December 2020 | Circular No. 105/2020/TT-BTC providing guidance on tax registration.

03 December 2020 | Official Letter No. 5142 / TCT-DNNCN on PIT for individual households contributing capital by the value of land use right to plant rubber trees.

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DETAIL

27 December 2020 | Resolution No. 178/NQ-CP to the proposal of the Ministry of Finance (MoF) that materials imported under contract manufacturing arrangements, which are then sent to subcontractors (“subcontracted materials”) for further processing, are eligible for import duty exemption.

On 12 December, the Government issued Resolution 178/NQ-CP regarding their monthly meeting held in November. A notable point in this Resolution is the Government’s consent to the proposal of the Ministry of Finance (MoF) that materials imported under contract manufacturing arrangements, which are then sent to subcontractors (“subcontracted materials”) for further processing, are eligible for import duty exemption.

This will be effected by way of an amendment of the existing Decree 134/2016/ND-CP.

In fact, the customs authorities, including local customs authorities and the General Department of Customs (GDC), have denied duty exemptions for subcontracted materials and collected the relevant duty and tax thereon. Therefore, the Government has requested the MoF to instruct customs authorities to refund such duties and tax.

09 October 2020 | Official letter No. 12452/TCT-CS about Covid 19

Official letter No. 12452 dated 9 October 2020, issued by the General Department of Taxation to an enterprise in Hai Phong:

CIT treatment for the depreciation expenses incurred for fixed assets temporarily inactive due to the severe impact caused by the COVID -19 pandemic.

- Due to the economic downturn caused by the COVID -19 pandemic, enterprises which are severely -impacted had to suspend a number of their fixed assets’ ongoing operation for less than 09 months prior to the resumption of business production activities. Such a case would belong to the case of suspension due to the seasonal production as stipulated in point 2.2 Clause 2 Article 4 of Circular No. 96/2015, issued by the Ministry of Finance. Accordingly, relevant

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enterprises would be entitled to depreciate their fixed asset during the suspension period and claim such expenses as deductible for the tax purposes.

09 October 2020 | Official letter No. 89924/TCT-CS about Covid 19

Official letter No. 89924 dated 9 October 2020, issued by Hanoi Tax Department:

With respect to salary, wage and other payments with the nature of salary, wage as settled for employees furloughed amid the period of social distancing, unemployment due to the severe impact of the COVID -19 pandemic, they shall be included in deductible expenses for the CIT purposes, provided that these expenses satisfactorily meet the prescribed conditions.

10 November 2020 | Official letter No. 97748/TCT-CS about Covid 19

Official letter No. 97748 dated 10 November 2020, issued by Hanoi Tax Department:

Expenses for quarantine of the expatriate who is a general director of a limited liability company with one member (not the owner) is considered as staff welfare and is deductible if the required conditions are met.

26 November 2020 | Official letter No. 5032/TCT-CS about Covid 19

Official letter No. 5032/TCT-CS, issued by the General Department of Taxation to Ba Ria – Vung Tau Province Tax Department and Binh Duong Province Tax Department

- Foreign experts' hotel, facility quarantine expenses shall be deductible for the CIT purposes, provided that the following conditions are satisfactorily met:

- (i) Such expenses are supported with sufficient valid invoices, documents; and
- (ii) It is clearly specified in the labour contract as concluded by and between the Company and a foreign expert that the Company shall pay the foreign expert's house rental.

- Foreign experts' COVID-19 test fees shall be deemed as payments with the nature of welfare benefits directly made for employees and recognized as deductible expenses for the CIT purposes subject to the regulatory cap in accordance with point 2.30 Clause 2 Article 6 of Circular No. 78/2014 (as amended and supplemented in Article 4 of Circular No. 96/2015).

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Determination of income subject to personal income tax

In case foreign employees have the Covid-19 quarantine costs paid by their employer upon their entry into Vietnam, these payments will be their benefits and thus may be included in their PITable income.

03 December 2020| Circular No. 105/2020/TT-BTC providing guidance on tax registration.

This Circular includes 4 chapters and 25 articles, detailing the subjects who shall directly make tax registration at tax offices as specified at Point b, Clause 1, Article 30 of the Law on Tax Administration; the structure of tax identification numbers; the dossiers, procedures and Forms for tax registration (including first-time registration; grant of tax registration certificates, notification of tax identification numbers; notification of tax registration information modification; notification of business suspension; invalidation of tax identification numbers; restoration of tax identification numbers; tax registration in case of reorganization of enterprises or organizations) as specified at Point c, Clause 2, Article 30 and Articles 31, 34, 36, 37, 38, 39, 40 of the Law on Tax Administration.

(The Circular shall take effect on 17 January 2021)

03 December 2020| Official Letter No. 5142 / TCT-DNNCN on PIT for individual households contributing capital by the value of land use right to plant rubber trees.

If a household or individual contributes capital by the value of land use right for Lai Chau Rubber Joint Stock Company (Company) to implement a rubber tree planting project, the income earned when dividing the product with the corresponding area will belong to income from capital investment.

The income of households and individuals directly participating as rubber planters paid by the Company is determined as income from salaries and wages.

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