
TAX BULLETIN NO. 01 October 2021

1. Tax support measures for enterprises affected by Covid-19 pandemic

Regarding the issue, National Assembly Standing Committee promulgated the Resolution No. 406/NQ-UBTVQH15 dated 19th October 2021 with the following main contents:

➤ **CIT reduction**

Reduction of 30% of CIT liability for 2021 will be applied for companies having total revenue in 2021 not exceeding VND200 billion and lower than what they earned in 2019. The latter condition will not be applied in case of newly established companies and companies having undergone a merger or demerger in 2020 or 2021.

➤ **VAT reduction**

Reduction of 30% of the applicable VAT rates/deemed VAT rates for the period from 1st November 2021 to 31st December 2021 will be applied for companies conducting business in certain sectors, including:

- (i) transportation, tourism, accommodation and catering services;
- (ii) production of television programs, music recording and publication, art works and creative, art and entertainment services; services of library, archives, museum and other cultural activities cinema, production of television programs, music recording and publication, art works and creative, art and entertainment services; services of library, archives, museum and other cultural activities; sports and amusement activities.

➤ **Waiver of tax late payment interest**

Late tax payment interest on tax debts, land use fee and land rental fee incurred in 2020 and 2021 will be exempt for companies (including their dependent units, business locations) which incurred losses in 2020. This measure will not be applied if the late payment interest has already been paid.

This Resolution took effect from the signing date. For detailed guidance on the conditions and procedures for CIT and VAT reduction and exemption of late tax payment interest, please refer to the Decree No. 92/2021/NĐ-CP dated 27th October 2021.

2. Tax treatment applied to Covid-19 pandemic related expenses (Official letter No. 4110/TCT-DNNCN 27/10/2021 of the General Department of Taxation)

On 27th October 2021, the General Department of Taxation issued Official Letter No. 4110/TCT-DNNCN to the Embassy of the Republic of Korea in Vietnam, the European Association in Vietnam and the Vietnam Business Forum on tax treatment applied to expenses incurred by companies relating to the Covid-19 pandemic. According to the opinion of the General Department of Taxation, the following Covid-19 pandemic related expenses will be

deductible for Corporate income tax purpose and not included in the employee's Personal income taxable income:

- Expenses for medical quarantine/isolation due to Covid-19 in Vietnam and abroad (in case of overseas business trips) such as expenses for meals, accommodation, Covid-19 testing, transportation from the place of entry or from the place where infection is discovered to a medical quarantine/isolation facility; living expenses during the quarantine/isolation period to comply with the requirements of competent authorities,
- Expenses for Covid-19 testing or purchasing Covid-19 test kit for employees, expenses for purchasing equipment to protect employees from the risk of infection at workplace, and
- Expenses for meals and accommodation of employees staying at enterprises which implement the "3 on the spot" option to maintain their production and business activities.

The General Department of Taxation noted that all the above expenses should be recorded as they are actually incurred and be evidenced by sufficient invoices and supporting documents in accordance with the tax regulations.

3. CIT treatment of recovered PIT amount (Official letter No. 1466/THPH-TTHT dated 22nd June 2021 of Hai Phong Tax Department)

As a result of an examination of tax law compliance for the period from 2015 to 2019 conducted by Hai Phong Tax Department, Nishishiba Vietnam Co., Ltd. was recovered an amount of PIT on employment income. According to the labour contract signed between the company and foreign expats, PIT on employment income will be borne by the company. In case a decision on CIT audit or examination for the period from 2015 to 2019 has not been issued by the tax authority or any other competent authority, the company is allowed to claim this PIT amount as deductible expenses for CIT purpose correspondingly in each relevant year for the period from 2015 to 2019. For this purpose, the company is required to submit the amendment of CIT finalisation returns in accordance with provisions in Paragraph 5, Article 10, Circular No. 156/2014/TT-BTC dated 6th November 2014 of Ministry of Finance.

4. Tax treatment of expenses incurred before starting business activities (Official letter No. 21060/CTBNI-TTHT dated 22nd July 2021 of Bac Ninh Tax Department)

Kang Yang Vietnam Co., Ltd. is in investment period, has not started yet its business activities; therefore, the company has not produced turnover but incurred actual expenses being supported by sufficient invoices and receipts and made under a non-cash payment mode, these expenses shall be recognised for CIT purpose as follows:

- Expense for subleased land attached with infrastructure by the industry park infrastructure trading company: This expense is not allowed to be recorded as intangible fixed assets for depreciation purpose. It will be allocated by the number of

- land rental years (commencing from the time of receiving the land) and recorded as deductible expense for CIT purpose;
- Expenses for purchasing fixed assets: The fixed assets will be depreciated from the initial recognition timing of fixed asset. The depreciation expenses will not deductible if the fixed assets have not yet been used for production activities;
 - Expenses which are not for the purpose of capital construction investments forming fixed assets such as payments for electricity, water, petrol and gasoline, office stationeries and so on: if these are regular expenses for maintaining the company's activities, these expenses will be deductible for CIT purpose on the taxing year when they are incurred;
 - Expenses for employee recruitment and training and others relating to the establishment of the company: These expenses will be allocated within at most 3 years and recorded as deductible expense for CIT purpose.

5. Tax treatment applied to house rental for employees (Official letter No. 1975/CTHPH-TTHT dated 4th August 2021 of Hai Phong Tax Department)

Kyowa Plastics Industrial (Vietnam) Co., Ltd. having its headquarter at Dinh Vu Economic zone, incurs expenses for fixed-term rental of an apartment located in Hanoi for its employees to stay during their business trips. Rental will be deductible for CIT purpose and not included in employees' personal taxable income if the following conditions are met:

- the rented apartment is not used for regular (weekly or at weekends) residing purpose of any specific individual or individual's family but only for company' employees during their business trips;
- the rental is supported by sufficient invoices and receipts as provided by tax regulations; and
- the assignment of employees for business trips is evidenced by documents indicating that such an assignment is for the company's business purposes in accordance with company's financial or internal regulation.