
TAX BULLETIN March 2022

1. Instruction on VAT rate reduction in accordance with Decree No. 15/2022/ND-CP (Official letter No. 2688/BTC-TCT dated 23/3/2022 of the Ministry of Finance)

To ensure the consistent implementation of the Decree No. 15/2022/ND-CP, the Ministry of Finance provides guidance to Provincial Tax Departments as follows:

➤ **Goods and services not subject to VAT rate reduction**

Provincial Tax Departments shall instruct taxpayers to check goods and services of their manufacturing and trading activities with the list of goods and services not eligible for VAT rate reduction in Clause 1, Article 1, Decree No. 15/2022/ND-CP and attached Appendices I, II, and III to apply the current regulations correctly.

➤ **Timing for invoice issuance:**

- In case a business establishment signed a service contract and collected service fee in advance or during service provision, and the invoice had been issued at the time of service fee collection before 01 February 2022 with the VAT rate of 10%, but the service was completed in the period from 01 February 2022 to the end of 31 December 2022, the invoice issued before 01 February 2022 shall not be eligible for VAT reduction; for the remaining payable which is settled in the period from 01 February 2022 to 31 December 2022, the VAT reduction will be applicable;
- In case a business establishment provided goods and services which are subject to the VAT rate of 10% in January 2022; however, the invoice was lately issued in February 2022, such invoice was not timely issued and was not entitled to VAT reduction accordingly;
- For those invoices which were issued before 01 February 2022 with the VAT rate of 10%, then were amended after 01 February 2022 due to errors on invoice or return of goods, invoices for adjustment or return of goods must be issued with the VAT rate of 10%;
- For some typical goods and services such as electricity, the VAT reduction is applied for the invoices issued during the period from 01 February 2022 to of 31 December 2022.

2. Guidance on exchange rate used for recording turnover and expense (Official letter No. 20366/CTBDU-TTHT dated 16th December 2021 of Binh Duong Tax Department)

POLYTEX FAR EASTERN VIETNAM Co., Ltd. is permitted to use USD as its accounting currency; therefore, the company is required to convert turnover and expenses incurred in VND or other foreign currencies into USD as follows:

- For receivables and turnover received in VND or other foreign currencies, the exchange rate used for recording turnover is the buying rate of VND (i.e. the selling rate of USD) quoted by the commercial bank where the Company opens its account at the incurring time of relevant transactions;

- For payables and expenses incurred in VND or other foreign currencies, the exchange rate used for recording expenses is the selling rate of VND (i.e. the buying rate of USD) quoted by the commercial bank where the Company opens its account at the incurring time of relevant transactions.
- The Company can choose the actual exchange rate as the one which approximates the average selling and buying rate for transfer quoted by the commercial bank where the Company has regular transactions. The approximate exchange rate must ensure its difference does not exceed +/-1% of the average selling and buying rate for transfer. The average selling and buying rate for transfer is determined daily, weekly or monthly on the basis of arithmetic average between the daily buying rate and selling rate for transfer quoted by the commercial bank where the Company opens its account.

3. Foreign contractor tax on freight brokerage services (Official letter No. 56687/CTHN-TTHT dated 23rd December 2022 of Hanoi Tax Department)

In case where a foreign company derives income from brokerage activities for cargo transport services from Vietnam to abroad, foreign contractor tax will be incurred in accordance with provisions as provided for in Article 1, Circular No. 103/2014/TT-BTC dated 6th August 2013 of Ministry of Finance. The percentage (%) used to calculate VAT on turnover is 5%; and the percentage (%) used to calculate CIT on turnover is 5%.

4. Treatment of an e-invoice wrongly deleted (Official letter No. 22/CTBNI-TTHT dated 6th January 2022 of Bac Ninh Tax Department)

On 31st November 2021, upon collecting processing fee from Sina Tech Co., Ltd., SHINHWA TAPE & FILM Co., Ltd issued an e-invoice No. 0000285, electronically signed on the same date of 31st November 2021 to the Sina Tech Ltd. Company and declared VAT for such an e-invoice; however, due to negligence, on 27th December 2021, SHINHWA TAPE & FILM Co., Ltd wrongly deleted the e-invoice No. 0000285 on its electronic invoice system and fixed such a mistake by issuing a new e-invoice No. 0000288 electronically signed on the same date of 27th December 2021 to replace the e-invoice No. 0000285. Both e-invoices No. 0000285 and No. 0000288 have the same contents and have not any mistakes in terms of required contents in the invoices and both Companies have not yet declared VAT for the electronic invoice No. 0000288. Accordingly, the issuance of the e-invoice No. 0000288 electronically signed on 27th December 2021 to replace the e-invoice No. 0000285 electronically signed on 31st November 2021 (which was deleted not for reasons of mistakes) is improper pursuant to provisions on treatment of issued e-invoices. SHINHWA TAPE & FILM Co., Ltd is required to contact the e-invoice service provider and negotiate with the Sina Tech Co., Ltd. to recover the e-invoice No. 0000285 issued and electronically signed on 31st November 2021, and at the same time, to cancel the e-invoice No. 0000288 issued and electronically signed on 27th December 2021.

The cancellation of the e-invoice will take effect at the time agreed upon and by the two companies and the cancelled e-invoice must be stored for the purpose of searching by State competent authorities.

5. CIT incentives applied for a new investment project pending the issuance of Investment Registration Certificate (Official letter No. 130/CTBNI-TTHT dated 19th January 2022 of Bac Ninh Tax Department)

Regarding the issue, Bac Ninh Tax Department provides instruction for Jina E Tech Vina Co., Ltd. as follows:

Jina E Tech Vina Co., Ltd. has an domestic investment project associated with the establishment of a new enterprise with investment capital less than 15 billion VND and not under the List of conditional investment, and was granted the Enterprise Registration Certificate No. 2301181931 dated 9th August 2021; the project is carried on at Que Vo Industry Park – Bac Ninh Province. Jina E Tech Vina Co., Ltd. is proceeding investment procedures and waiting for an Investment Registration Certificate issued by Bac Ninh Province Industry Park Management Board. In this case, income derived from the new investment project of the Company is entitled to CIT incentive as provided for in Clause 3, Article 16, Decree No. 218/2013/NĐ-CP dated 26th December 2013 of Government (which was supplemented, amended by Clause 6, Article 1, Decree No. 91/2014/NĐ-CP dated 1st October 2014 of Government) provided that the Company fully complies with accounting, invoicing requirements as well as provisions of the Investment Registration Certificate, and declares and pays CIT under method of turnover and expense declaration.