
TAX BULLETIN December 2024

1. Value Added Tax reduction until 30th June 2025

The Government has just issued Decree No. 180/2024/ND-CP dated 31st December 2024 stipulating the policy of 2% VAT reduction applied to groups of goods and services specified in Point a, Section 1.1, Clause 1, Article 3 of Resolution No. 43/2022/QH15 of the National Assembly on fiscal and monetary policies to support the Socio-Economic Recovery and Development Program according to Resolution No. 174/2024/QH15 dated November 30, 2024 of the National Assembly. The Decree takes effect from 1st January 2025 to 30th June 2025.

2. New regulation on tax registration

On 23rd December 2024, the Ministry of Finance issued Circular 86/2024/TT-BTC providing guidelines on tax registration, replacing Circular 105/2020/TT-BTC. Accordingly, some new points of Circular 86/2024/TT-BTC on tax registration compared to Circular 105/2020/TT-BTC are as follows:

➤ *Using personal identification numbers (PIN) instead of tax codes from 1st July 2025*

According to Article 5, Circular 86/2024/TT-BTC, the PIN of Vietnamese citizens issued by the Ministry of Public Security in accordance with the provisions of the law on personal identification is a series of 12 natural numbers used instead of the tax code of individual taxpayers and dependents specified in points k, l, n, Clause 2, Article 4, Circular 86/2024/TT-BTC. From 1st July 2025, taxpayers, tax authorities, agencies, organizations and other individuals related to the use of tax codes will use PIN instead of tax codes.

➤ *Providing a separate Chapter on tax registration for taxpayers who are household and individual businesses*

➤ *Applying National Database on Population, Identification and Electronic Authentication in tax registration procedures*

Circular 86/2024/TT-BTC additionally provide a new regulation compared to Circular 105/2020/TT-BTC on the application of the National Database on Population, Identification and Electronic Authentication in tax registration procedures.

➤ *Supplementing regulations on handling procedures for taxpayers according to the backup process*

This is also one of the new regulations compared to Circular 105/2020/TT-BTC. Specifically, it is stipulated in Article 37, Circular 86/2024/TT-BTC that tax authorities shall handle tax registration procedures for taxpayers as prescribed in this Circular according to the backup process in the following cases:

- The Tax Registration Application System, the National Business Registration Information System, or the National Population Database System encounters technical problems.
- Other cases of force majeure.

➤ *Changes in tax registration forms*

The tax registration forms issued with Circular 86 also have changes compared to Circular 105/2020/TT-BTC. Details of the forms are regulated in Appendix II, Circular 86/2024/TT-BTC on the list of tax registration forms and forms attached to Circular 86/2024/TT-BTC.

Circular 86/2024/TT-BTC takes effect from 6th February 2025.

3. Tax return form for declaration of foreign employees' PIT liabilities (Official letter No. 4496/CTHPH-TTHT dated 11th November 2024 of Hai Phong Tax Department)

A foreign parent company dispatches its employees to work in a subsidiary in Vietnam. According to the Decision on Dispatch of foreign expatriates and Reimbursement Agreement signed between two companies, part of salary is paid to foreign employees by the subsidiary and the remaining part is paid by the parent company abroad and will be reimbursed by the subsidiary. In this case, the subsidiary shall be responsible for withholding, filing and paying PIT for the foreign employees on their total personal taxable income. For PIT declaration, the subsidiary will use Form No. 05/KK-TNCN as provided for in Section VII, Annex II List of Tax Return Forms and Tax Dossiers issued together with the Circular No. 80/2021/TT-BTC dated 29th September 2021 of Ministry of Finance.

4. VAT refund process for refund before inspection applications (Official letter No. 5025/TCT-KK dated 6th November 2024 of the General Department of Taxation)

For refund before inspection applications, the tax authority will conduct desk audits to determine the eligible subjects, cases for refunds based on the taxpayer's refund application, and the taxpayer's information in the tax administration database.

In cases where the declared information in the refund application differs from the information managed by the tax authority, a notification will be issued to the taxpayer to request explanations and supplementary information. The time for handling supplementary submitted shall be excluded from the regulated timeline for handling the VAT refund application by the tax authority.

The tax authority will review and reconcile the taxpayer's bank payment vouchers upon conducting post-refund audits for refund before inspection cases as prescribed to conclude the eligible refund amount and process the taxpayer's refund application as prescribed.

5. Deductible expenses in case of accelerated depreciation (Official letter No. 29777/CTBDU-TTHT dated 19th November 2024 of Binh Duong Tax Department)

Pursuant to current regulation, companies are required to determine depreciation method and duration of fixed assets in accordance with provisions in the Circular No. 45/2013/TT-BTC and inform the tax authority before applying. Accordingly,

- In case the Company applies the straight depreciation method, the registration for accelerated depreciation means a change in depreciation duration rather than a change in depreciation method.
- Once having selected to apply the accelerated depreciation for the Company's fixed assets, the Company must consistently apply the same method throughout the useful life of fixed assets and ensure that the amount of accelerated depreciation does not exceed two times of the one established under the straight depreciation method.
- Upon applying the accelerated depreciation, the Company must also ensure the Company's business to be profitable. The determination of Company's profitability shall be based on the financial statement.

Therefore, if the Company makes loss in a financial year in which the Company applies the accelerated depreciation, deductible depreciation expenses for CIT purpose will be limited to the amount calculated under the straight depreciation method. Non deductible expenses due to accelerated depreciation shall be adjusted to increase corporate taxable income in the item B4 of the Company's CIT finalization.