



DEZAN SHIRA & ASSOCIATES

Your Partner for Growth in Asia

Managing your Business During COVID-19

**Tax updates & Government
subsidy policies 2020**



Impact of COVID-19

Surviving the Pandemic

Tax updates and policies

Q&A Session

Vietnam's response
and the **economic impact of COVID**



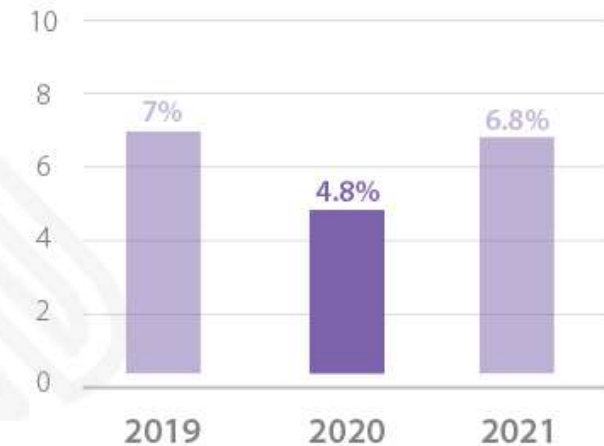
With the global pandemic Vietnam is expecting a significant decline in GDP growth...

- Business sentiment globally is down
- Supply chain disruptions
- Demand shocks for businesses (tourism and manufacturing hit hardest)
- Travel restrictions cause challenges for investors and businesses
- New wave in Central to further damage domestic industries (tourism) and consumer sentiment



Source: Asia Development Bank

GDP Growth Rate of Vietnam 2019-2021

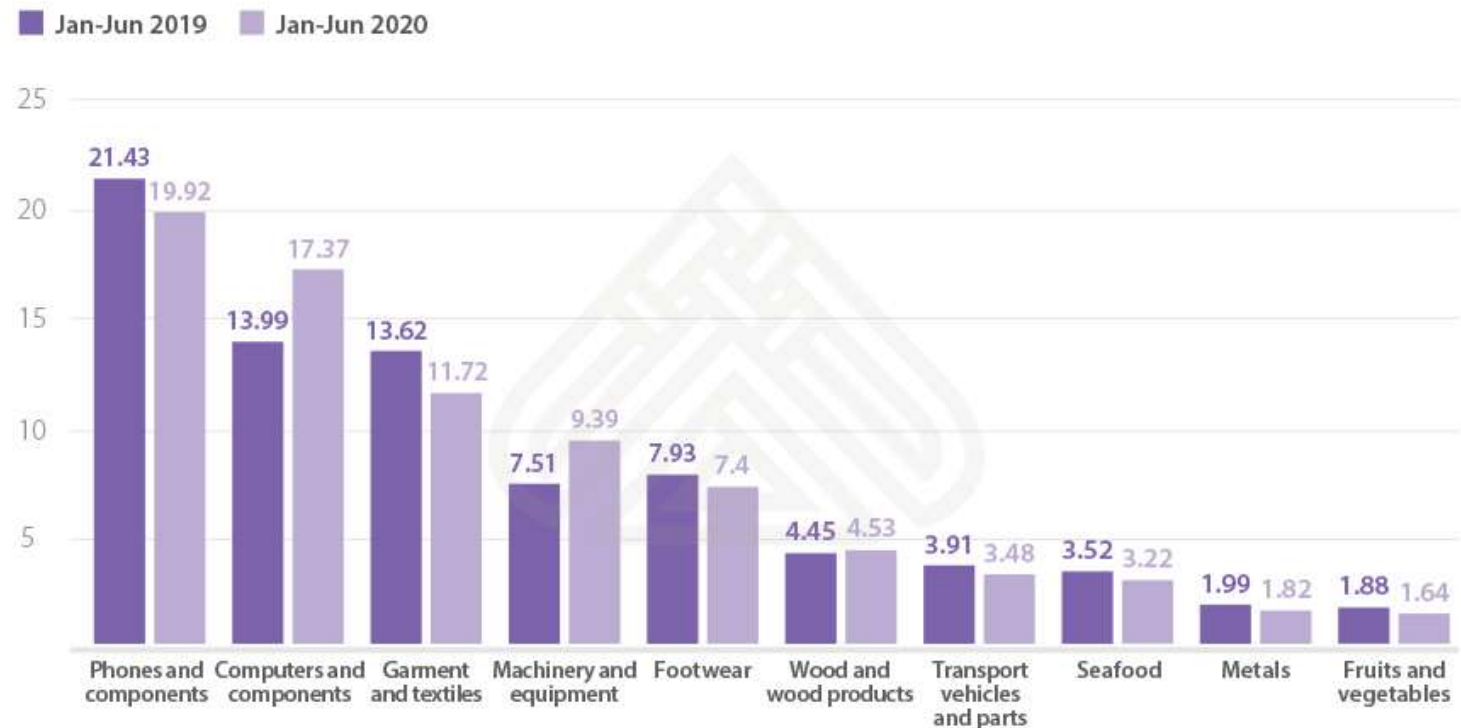


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Supply chain disruptions and demand shocks have hit Vietnam's exports...

- Exports dropped by 6.7% in first half of 2020 compared to the same period in 2019
- Textile and Garments manufacturers pivoting to export face masks
- EVFTA has come into force encouraging more trade and investment
- FDI dampened but remains steady, FDI disbursed down compared to 2019, while FDI attraction is up 3.1%

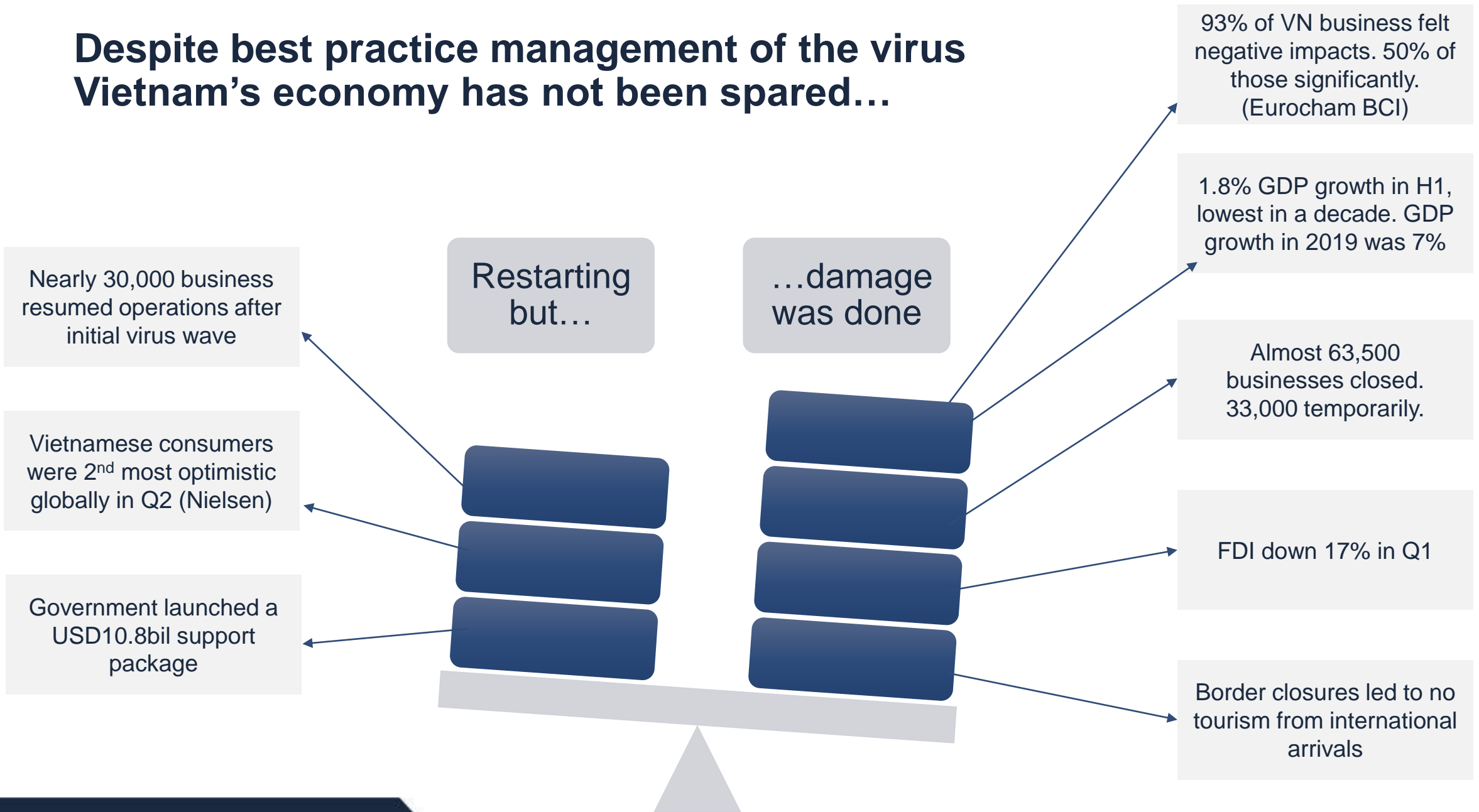
Export Value of Vietnam's Ten Largest Commodities (billion US\$)



Source: Vietnam Customs

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Despite best practice management of the virus Vietnam's economy has not been spared...



Fighting back: 2021 and onwards

- IMF forecast Vietnam's GDP to grow at 2.7 percent this year, higher than any of its regional peers.
- Others more optimistic and predicting 4.8%
- ADB reported economy to bounce back to 6.8% in 2021
- World Bank saying growth to rebound at 7.5% in 2021

Prediction of GDP Growth Rate in 2020 of Southeast Asia



Source: Asia Development Bank

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Managing your business to survive the
impact and future shocks of COVID-19



Impacts to business due to the crisis, and response measures companies can take to protect themselves...

Human Resources

- Assess costs and productivity
- Ensure any changes are compliant and legal
- Remote working solutions
- Monitor employee health
- Build for the “new normal”
- Invest in long-term talent and prepare for future HR needs

Prolonged impact to markets

- Realign business operations to respond to changing conditions
- Look at business infrastructure and needs
- Invest in IT such as cloud based and remote working solutions
- Business Continuity Planning

Supply Chain and Operations

- Assess disruptions and monitor and manage risks
- Stock up and manage inventory
- Protect suppliers and resolve issues
- Check legal agreements
- Evaluate potential gaps
- Diversify and identify suppliers
- Invest in agile supply chains

Cashflow and Liquidity

- Assess potential savings and quick cash
- Preserve cash and liquidity
- Improve cash position through new areas
- Proactively chase debtors and collections
- Negotiate advance payment terms

Travel Restrictions

- Identify impacts to business given travel is difficult
- Find reliable service providers and local partners
- Consider domestic consumer base



GOVERNMENT POLICIES OF TAX SUBSIDY FOR BUSINESS



Some subsidy policies on fees & duties

Reduction of Government & administrative fees

- **Legal basis:** 17 Circulars on reduction of Government & administrative fees up to Dec 2020 (Issued by the MOF)

Stamp duties

- **Legal basis:** Decree 70/2020/ND-CP
- **Contents:** Reduce 50% stamp duty of automobiles in general, trailers as well as semi-trailers and other similar types of motor vehicles manufactured domestically.

Social insurance

- **Legal basis:** OL 860/BHXH-BT
- **Contents:** Temporary cease SI payments for those who are affected by the Pandemic until the end of Jun or Dec 2020 without imposition of interest penalty on late remittance.

Deferral of tax and land lease payments (Decree 41/2020/ND-CP)

Eligible taxpayers:

1. Taxpayers who have production activities in:

- agriculture,
- forestry and aquaculture;
- food production and processing;
- textile; costume production;
- production of leather and related products;
- production of wood and of products of wood and cork, except for furniture;
- production of products of straw and plaiting materials;
- production of paper and paper products;
- production of rubber and plastics products;
- production of other non-metallic mineral products;
- production of basic metals; machining;
- treatment and coating of metals;
- manufacturing of electronic products, computer and optical products;
- manufacturing automobiles and other motor vehicle;
- production of furniture;
- construction;

2. Taxpayers who have business activities of:

- transportation and storage;
- accommodation and catering services;
- education and training;
- health services and social support services;
- real estate activities;
- labor service and employment activities;
- travel agency, tour operator and support services related to advertising and organizing tours;
- art, entertainment and creation;
- libraries, archives,
- museum, and other cultural activities;
- sport,
- recreation;
- cinema;

Others...

- 3. Taxpayers whose manufacture products belonged to the list of prioritized supporting industries; manufacturing of key mechanical products;
- 4. Small and micro enterprises (determined according to the Law on SME supports no. 04/2017/HQ14 and Decree 39/2018/ND-CP); and
- 5. Credit institutions and branches of foreign banks which provide support to their customers in accordance with State Bank of Vietnam (SBV) during the COVID-19 pandemic.

Deferral of tax and land lease payments (Decree 41/2020/ND-CP)

Extension of deadlines for tax payments

05 months from the statutory due dates. Details are outlined as follows:

Tax types	Periods		Extended dates
Corporate Income Tax (“CIT”)	Quarterly	Q1/2020	30 Sep 2020
		Q2/2020	30 Dec 2020
	2019 annual CIT finalization		30 Aug 2020
Value-added Tax (“VAT”)	Monthly	Mar 2020	20 Sep 2020
		Apr 2020	20 Oct 2020
		May 2020	20 Nov 2020
		Jun 2020	20 Dec 2020
	Quarterly	Q1/2020	30 Sep 2020
		Q2/2020	30 Dec 2020

Deferral of tax and land lease payments (Decree 41/2020/ND-CP)

Application for deferrals of tax payments:

Fill and submit the “Request to extend tax and land lease deadlines for payments” to taxpayers’ local supervising tax departments before **30 Jul 2020**.

*****Notes:**

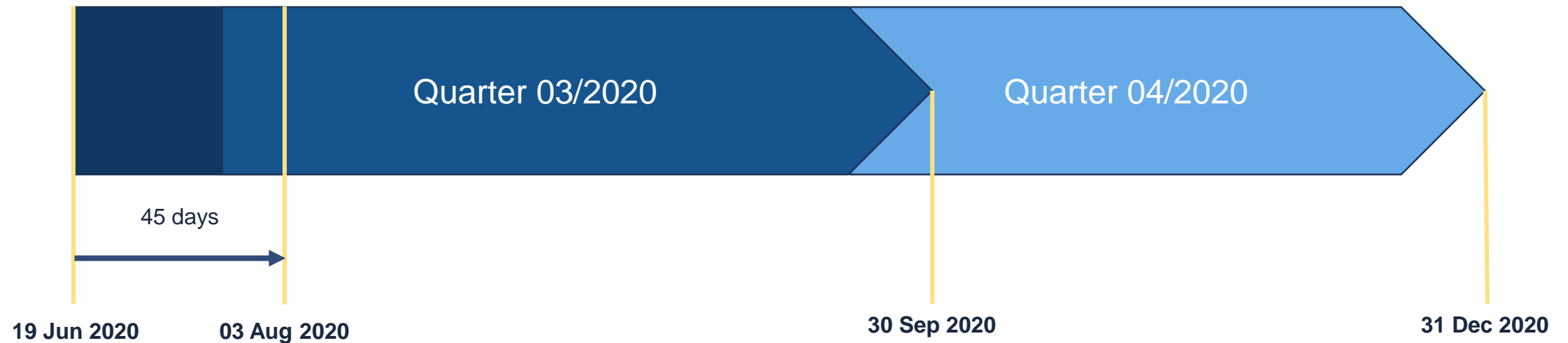
- *Any submission after **30 Jul 2020** will be deemed overdue and would be rejected. The application is one-off for all tax types.*
- *The extension is only applied on tax payments, tax declaration form must still be submitted on time.*
- *Taxpayers shall be responsible for self-assessment of their eligibility for deferral application and the tax authorities do not have to inform the taxpayers whether the application is accepted or not.*
- *Any paid taxes, which are eligible for deferral, can be offset against other payable tax types (By preparing a letter of application for amendments – Form C1-11/NS – Circular 86/2016/TT-BTC).*

Tax reductions for small and medium enterprises (“SMEs”)

Legal basis: Resolution No. 116/2020/QH14 signed on 19 Jun 2020

Eligible taxpayers: Companies of which total revenue for 2020 financial year does not exceed **200 billion VND** (equivalent to approximately **8.6 million USD**)

Effective date: 45 days after the signing date (03 Aug 2020) and is applied for 2020 tax assessment year.



Tax reductions for SMEs (Cont.)

How to apply tax reduction on 2020 CIT finalization tax returns?

According to the recent training session with the Vietnamese Tax Consultancy Association (VTCA), the tax authority is in the process of upgrading their system so that the tax reduction can be automatically reflected on the 2020 CIT finalization tax returns of eligible taxpayers, possibly at item C14 on the 2020 CIT finalization tax return.

STT No.	Chỉ tiêu Items	Mã chỉ tiêu Item codes	Amount
9	Thuế TNDN được miễn, giảm trong kỳ <i>Reduced/Exempt CIT during the declaration period</i>	C12	
9.1	Trong đó: + Số thuế TNDN được miễn, giảm theo Hiệp định <i>In which: + Reduced/Exempt CIT amount pursuant to DTA</i>	C13	
9.2	+ Số thuế được miễn, giảm không theo Luật Thuế TNDN <i>+ Reduced/Exempt CIT amount unassociated with CIT Law</i>	C14	
11	+ Số thuế thu nhập đã nộp ở nước ngoài được trừ trong kỳ tính thuế <i>+ Creditable income tax paid overseas during the declaration period</i>	C15	

Tax reductions for SMEs (Cont.)

*****Notes:**

1. *Taxpayers must self-assess their eligibility.*
2. *CIT rate of 14% (Standard CIT rate of 20% x Reduced tax rate 70%) will be applicable for interim CIT payments from Q3 & Q4 of 2020 and be applied for the whole 2020 tax assessment year.*
3. *Overpaid tax amounts may be carried forward to offset against tax payable of the following year or taxpayers may opt to request for tax refund.*



2020 TAX UPDATES




Changes to Personal Income Tax (“PIT”) deductions

Legal basis: Resolution No. 954/2020/UBTVQH14 signed on 02 Jun 2020

PIT deductions	Previously	2020
Personal	9,000,000 VND/month	11,000,000 VND/month
Dependent	3,600,000 VND per dependent/month	4,400,000 VND per dependent/month

Effective date: 01 Jul 2020.

******Notes: Applicable for the whole 2020 tax assessment.***



**Change to interest
deductibility of
business enterprises
engaging in related-
party transactions**

Change to interest deductibility of business enterprises engaging in related-party transactions

Legal basis: Decree 68/2020/ND-CP dated on 24 Jun 2020

Items	Decree 20/2017/ND-CP	Decree 68/2020/ND-CP
Measurement of interest deduction	Interest expenses	Net interest expenses (Total interest expenses MINUS total interest income)
Earnings before interest & depreciation (EBITDA)	Gross taxable income + depreciation expenses + interest expenses	Gross taxable income + depreciation expenses + net interest expenses
Interest deductibility cap	20% of EBITDA	30% of EBITDA

Change to interest deductibility of business enterprises engaging in related-party transactions (Cont.)

Effectiveness:

Items	Decree 20/2017/ND-CP	Decree 68/2020/ND-CP
Retroactive effectiveness	None	2017 & 2018 tax assessment year
Carry forward of non-deductible interest deduction (Excessive)	Not regulated	Starting from 2019 tax assessment year (2019 CIT finalization return can be revised)
Creditability of overpaid tax amount incurred from re-calculation on interest deductions	Not regulated	Starting from 2020 tax assessment year . Overpaid tax from 2017 & 2018 can be carried forward to credit against 2020 tax payable.

Change to interest deductibility of business enterprises engaging in related-party transactions (Cont.)

How to apply the retroactive effectiveness in practice?

- Case 1: The taxpayer has not been tax audited/inspected for 2017 & 2018 tax assessment years

Tax assessment years	What to do?
2017	Revise 2017 CIT finalization return to reflect the updated interest deductions and keep track of creditable CIT incurred from re-calculation on interest deductions.
2018	Revise 2018 CIT finalization return to reflect the updated interest deductions and keep track of creditable CIT incurred from re-calculation on interest deductions.
2019	Revise 2019 CIT finalization return to reflect the updated interest deductions and keep track of excessive non-deductible interest deduction to be carried forward
2020	Include the following into calculation of 2020 CIT assessment. a) Creditable tax from 2017 & 2018 b) Carried-forward excessive interest deduction from 2019

Change to interest deductibility of business enterprises engaging in related-party transactions (Cont.)

How to apply the retroactive effectiveness in practice?

- **Case 2:** The taxpayer has been tax audited/inspected for 2017 & 2018 tax assessment years

Tax assessment years	What to do?
2017	Request the tax authority to re-determine tax payable amounts for 2017 & 2018. The creditable discrepancy from such re-determined tax figures can be included in 2020 tax assessment. <i>***Note: The reconciliation will only be conducted at the tax office. No re-audit or re-inspection due to such request.</i>
2018	
2019	Revise 2019 CIT finalization return to reflect the updated interest deductions and keep track of excessive non-deductible interest deduction to be carried forward
2020	Include the following into calculation of 2020 CIT assessment. a) Creditable tax from 2017 & 2018 as re-determined by the tax authority (If requested) b) Carried-forward excessive interest deduction from 2019

Change to interest deductibility of business enterprises engaging in related-party transactions (Cont.)

*****Notes:**

- Revision of 2017 & 2018 CIT finalization tax returns must be done before 01 Jan 2021.
- Creditable CIT from 2017 & 2018 can be utilized to offset against CIT payable in the next following years starting from 2020 but not more than 05 years (2020 – 2025).
- Interest expenses/income include bond interest, loan guarantee fees and interest on late settlements, etc. (Interest on late tax payment is excluded)
- Total interest expenses < Total interest income → Net interest expenses < 0 → Interest expenses are fully-deductible regardless of EBITDA.

LAW 38/2019/QH14 ON TAX ADMINISTRATION

****Some notable changes that significantly effect taxpayers*

Effective date: 01 Jul 2020



Law 38/2019/QH14 on Tax Administration - Some notable changes that effect taxpayers

1. Deadlines on tax declaration & remittance

Types of tax declaration	Previously	From 01 Jul 2020
Quarterly declaration (VAT or PIT withholdings)	30 th day of the first month of the following quarter	Last day of the first month of the following quarter (+1 day)
Annual declaration (Business license)	30 th day of the first month of the following year	Last day of the first month of the following year (+1 day)
Annual finalization (CIT & PIT)	90 days after the end of a financial/calendar year	Last day of the 3 rd month of the following financial/calendar year (+1 day)
Annual PIT finalization (For individual taxpayers who file PIT finalization return directly with the tax authority)	90 days after the end of a financial/calendar year	Last day of the 4 th month of the following financial/calendar year (+1 month)

Law 38/2019/QH14 on Tax Administration - Some notable changes that effect taxpayers (Cont.)

2. Increase enforcement on obligations of legal representatives

[Legal representatives](#) of a business entity in Vietnam will need to ensure tax compliances of their businesses. Tax and other Government authorities may prevent legal representatives from leaving the country if their employer has not paid due taxes.

3. Increase transparency and ensure taxpayers' benefits

Taxpayers have the right to know timeline for processing tax refunds, non-refundable amounts and legal basis for such non-refundable tax amounts.

Taxpayers will not be penalized if they declare and pay taxes following the official guidance of tax authorities.

Taxpayer can request the tax authority to pay interest penalty of 0.03% on refunds of overpaid tax, penalty and interest on late payments as a result of winning appeal of a tax authority's official decision.

Law 38/2019/QH14 on Tax Administration - Some notable changes that effect taxpayers (Cont.)

3. Increase transparency and ensure taxpayers' benefits (Cont.)

Deadlines for processing tax refunds are applied for the tax authorities. Specifically:

- Tax refund dossiers which are eligible for refund before examination – 06 working days upon receipt of tax refund application.
- Tax refund dossiers which are subject to examination before refund – 40 days upon receipt of tax refund application.

After the above deadline, the tax authority must pay interest of 0.03%/day on late refund for the taxpayers if requested (not automatically).

Law 38/2019/QH14 on Tax Administration - Some notable changes that effect taxpayers (Cont.)

4. Enhance control of e-commerce, e-tax & e-invoices

Tax regulations related to [e-commerce activities](#) will be officially implemented in July 2022.

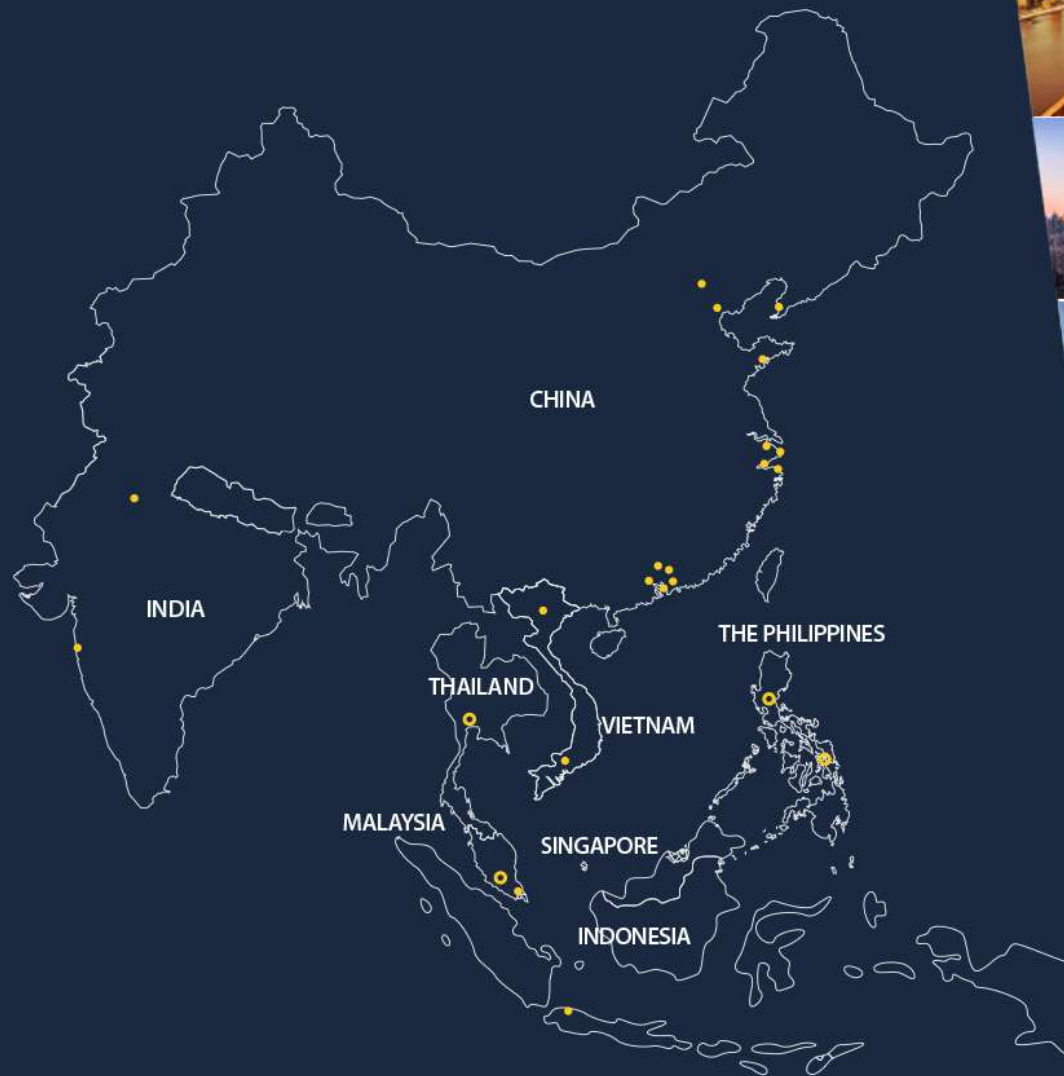
Regulations on e-commerce activities still require further clarification in the present state; however, some notable highlights include:

- Commercial banks will be required to make withholdings and remittance on behalf of e-commerce companies/individuals that do business via e-commerce and earn income from Vietnam without a permanent establishment in Vietnam;
- E-commerce companies that do business on digital platforms without a permanent establishment in Vietnam will be required to make appropriate registration, declare and pay tax on Vietnam-sourced income, either directly or by authorization.
- Mandatory application of e-invoices and other forms of e-documents will be postponed to July 2022 (Not November 2020 as previously stipulated in Decree 119/2018/ND-CP).



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