



Tax Update

March 2018 Tax Update highlights the following key points:

- ▶ **Guidance on value added tax (VAT), corporate income tax (CIT), and personal income tax (PIT).**
- ▶ **Amendment to the classification of small and medium-sized enterprises.**
- ▶ **Supporting documents for overseas payments for intellectual property to enhance CIT deductibility.**
- ▶ **Guidance on issuing documents downloaded from various online systems for tax declaration purposes.**
- ▶ **VAT invoices for payments on behalf.**

Circular 25/2018/TT-BTC providing updates on VAT, CIT, and PIT treatments guiding Decree 146/2017/ND-CP and amending, supplementing some articles governed under Circular 78/2014/TT-BTC and Circular 111/2013/TT-BTC.

1. VAT:

- ▶ A VAT refund is available with respect of imported goods to export, including export into non-tariff zones or overseas if the accumulated input VAT is greater than VND300 million. The enterprise is not entitled to VAT refund if its exporting activities are not performed in customs operation areas under current regulations.
- ▶ Types of exported goods derived from natural resources materials which are not subjected to VAT:
 - ✓ Exported goods are natural resources exploited and unprocessed into new products.
 - ✓ Exported goods are commodities which are directly processed from natural resources and the value of natural resources and energy cost account for 51% or more of product cost, except for the specific cases prescribed in Decree 146/2017/ND-CP.

2. CIT:

- ▶ Increase the threshold of deductible expenses for voluntary pension fund, voluntary pension insurance, life insurance from VND1 million to VND3 million.
- ▶ Expenses for purchasing life insurance, voluntary pension insurance, social security fund, and voluntary pension fund must be specified in terms of the conditions and levels that the employees can be entitled to in at least one of the following documents: labor contract, collective labor agreement, internal financial policy of the company or the group, bonus policy.
- ▶ In case the company has not fulfilled its compulsory insurance obligations for employees, including under contribution of the compulsory insurance, payments for non-compulsory insurance as mentioned above will not be deductible for CIT calculation purpose.

Circular 25/2018/TT-BTC takes effective from 1 May 2018.

Decree 39/2018/ND-CP dated 11 March 2018 issued by the Government providing detailed guidance on the law regarding small and medium sized enterprises.

The criteria for enterprise classification in the sectors of agriculture, forestry, aquaculture, industry and construction are as follow:

Criteria per year	Micro enterprise	Small sized enterprise	Medium sized enterprise
Number of employees	<= 10 employees; and	<= 100 employees; and	<= 200 employees; and
Revenue	<= 3 billion VND; or	<= 50 billion VND; or	<= 200 billion VND; or
Total capital	<= 3 billion VND	<= 20 billion VND	<= 100 billion VND

For enterprises in trading and services sector, the criteria are as follow:

Criteria per year	Micro enterprise	Small sized enterprise	Medium sized enterprise
Number of employees	<= 10 employees; and	<= 50 employees; and	<= 100 employees; and
Revenue	<= 10 billion VND; or	<= 100 billion VND; or	<= 300 billion VND; or
Total capital	<= 3 billion VND	<= 50 billion VND	<= 100 billion VND

Official Letter 231/TCT-CS dated 15 January 2018 regarding supporting documents for overseas payments on intellectual property to enhance CIT deductibility.

In case a Vietnam enterprise incurs payments for intellectual property relating to instruction/ guidance/ agreements for manufacturing technologies and methods, the payments are deductible for CIT purposes if ownership documents of the intellectual property issued by an overseas competent authority are available at the Vietnamese enterprise.

Regarding the above, it is advisable to have ownership documents of intellectual property in addition to normal supporting documents (e.g. contract, invoices, withholding tax declaration) to enhance CIT deductibility of the payments.

Official Letter 666/TCT-DNL dated 27 February 2018 regarding the use of documents downloaded from various online systems for tax declaration purposes.

The General Department of Taxation issued Official Letter 666/TCT-DNL stating that documents available in SAP system which follow Vietnamese accounting and tax regulations are allowed to be used for accounting and tax declaration purposes.

However, electronic commercial invoices received from suppliers via email do not qualify as e-invoices under the current regulations. Companies must maintain the original invoices.

Official Letter 10384/CT-TTHT issued by Ha Noi Tax Department dated 19 March 2018 on VAT invoices for payments on behalf.

For expenses paid by shipping companies on behalf of customer such as maritime charges and inspection charges under contractual agreements, service providers will issue invoice according to customer's information. Enterprises will issue collection vouchers when collecting the payment amount.

In case the VAT invoice is issued under the enterprise's information, the invoice should be cancelled. Otherwise, the enterprise must issue VAT invoice and declare output VAT according to current regulations for the payments on behalf.

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