



# Tax Updates, February 2019

## Vietnam Accounting & Taxation Changes

# Domicile

Corporate Services

Our February 2019 publication on Tax and Accounting updates covers upcoming lodgement and filing deadlines in Vietnam, and has our regular review of recent Official Letters released by the Tax Authorities.

### REMINDER: 2018 YEAR END LODGEMENTS AND FINALISATIONS

Corporate Taxpayers are reminded that they are required to finalise and lodge their 2018 Corporate Income Tax returns and associated schedules/appendixes with the authorities by no later than 90 days after year end (31 March 2019, for those taxpayers with a standard 31 December 2018 year end). For foreign invested entities, this also requires the lodgement of audited financial statements together with the income tax returns, so it is critical that audit and tax finalisation plans are well underway for Vietnamese enterprises.

Individual taxpayers should also ensure that their tax finalisation matters for 2018 are in hand. Individual (resident) taxpayers, are required to finalise annual taxes within 90 days from year end (ie, 31 March 2019), where (generally):

- They have a tax liability to the state, or
- They wish to claim a refund or credit

Taxpayers can authorise their employers to finalise on their behalf where the taxpayer has had only one single source of employment income during the tax year.

Those individuals residing in Vietnam and in receipt of consulting (service) income should be aware of the need to self-finalise, as the withholding tax (usually 10%) withheld from payments is only a pre-payment of taxes and the actual taxes due for the year is based upon the progressive tax scale (from 5%-35%), with available personal and dependent deductions.

Domicile Corporate Services is a leading provider of professional accounting, tax, payroll, compliance, company establishment and advisory services in Vietnam, with a focus on providing quality outsourcing and consulting services to clients.

We assist foreign invested and locally owned companies maintain the highest level of professional standards in Vietnam through proactive compliance, reporting assistance and advice.

### Domicile Corporate Services

*Ho Chi Minh City:* Level 9, Abacus Tower  
58 Nguyen Dinh Chieu, District 1  
Phone: (028) 6291 5779

*Hanoi:* Level 13, Hanoi Tower  
49 Hai Ba Trung, Hoan Kiem District  
Phone: (024) 3226 3314

*Danang:* Level 3, Indochina Riverside Tower  
74 Bach Dang, Hai Chau District  
Phone: (0236) 366 4662

Email: [info@domicilecs.com](mailto:info@domicilecs.com)

[www.DomicileCS.com](http://www.DomicileCS.com)

# Tax Updates, February 2019

## OFFICIAL LETTERS RELEASED

*Official Letters are releases showing the Tax Authorities' interpretation and application of Vietnam's Taxation Laws, providing guidance to taxpayers in Vietnam.*

### *Repatriating Profits By Way Of Offsetting Debts*

On 14 January 2019, the Hanoi Department of Taxation ("HDT") issued Official Letter 1750/CT-TTHT providing guidelines for remitting profits in the form of offsetting of debts.

Enterprises are allowed to remit profits which are eligible to repatriate as regulated in Circular 186/2010/TT-BTC to its parent company in the form of offsetting of debts. Whereby the parent company will receive the profits transferred from an overseas third party owing the Vietnam company under an offsetting agreement between the three parties. The Vietnam company is required to submit a notification on repatriating profits to the Tax authority under Circular 186/2010/TT-BTC.

### *VAT Invoices For Goods Sold To Export Processing Enterprises In Foreign Currencies*

On 24 December 2018, HDT issued Official Letter 83921/CT-TTHT providing guidelines on currencies used in VAT invoices.

Article 16 of Circular 39/2014/TT-BTC states that where a company sells goods to export processing enterprises (EPEs) in foreign currencies, when the invoice is issued, the total payment amount is stated in the original currency, with the description written in Vietnamese together with the exchange rate.

The applicable exchange rate is the buying rate of the commercial bank where the company maintains its bank accounts in accordance with Clause 4, Article 2 of Circular 26/2015/TT-BTC.

### *Payment Method For Purchasing Shares From Individuals*

On 7 November 2018, the Ministry of Finance released Official Letter 13666/BTC-TCDN covering the payment method for purchasing shares from individuals.

Under Article 3 of Circular 09/2015/TT-BTC, when investment companies purchase shares, they must pay via bank transfer/standing order or cheques or other non-cash payment methods including where shares are acquired from individuals.

### *Corporate Income Tax for Business Cooperation Contracts*

On 9 January 2019, HDT issued Official Letter 1072/CT-TTHT covering Corporate Income Tax ("CIT") for Business Cooperation Contracts ("BCC").

Where the parties under a BCC appoint a representative party to issue VAT invoices and pay CIT on their behalf, the portions of income the representative party earned from the BCC activities after CIT payment is exempt from CIT under Clause 6, Article 8 of Circular 78/2014/TT-BTC.

However, the expenses related to undertaking BCC activities such as depreciation of fixed assets are not deductible when calculating CIT for other activities of companies.

### *Period For Declaring Omitted Invoices*

On 17 January 2019, HDT issued Official Letter 2558/CT-TTHT regarding the period for declaring omitted VAT invoices.

Depending on the type of the omitted VAT invoices (input or output invoice), the declaration period will be determined as follows:

- For input VAT invoices: the omitted invoices will be declared in the period in which they are identified (but before the tax authorities announce any inspection decision).
- For output VAT invoices: the omitted invoices will be declared in the period in which they arise and the company will incur any late payment penalties on the incremental amount based on the number of late payment days.

### *Taxation For Representative Offices On Disposal Of Assets*

On 18 January 2019, HDT issued Official Letter 2978/CT-TTHT covering Representative Offices when disposing of their assets.

Clause 3, Article 5 of Circular 219/2013/TT-BTC, and Clause 1, Article 2 of Circular 78/2014/TT-BTC state that non-business organisations are exempt from VAT and CIT for their disposal of assets.

Accordingly, where foreign Representative Offices not engaged in business and production activities, when disposing of its assets previously purchased for operational purposes, they shall be exempt from VAT and CIT.

### *Personal Income Tax For Foreign Employees*

On 27 December 2018, HDT issued Official Letter 85039/CT-TTHT providing guidelines on Personal Income Tax ("PIT") for foreign employees where travel to Vietnam for short term business purposes before signing a labour contract.

According to Article 1 of Circular 111/2013/TT-BTC, one test of whether a foreign individual is determined as a Vietnam tax residence is based on the number of days that person presents in Vietnam in the tax year or in 12 consecutive months from the arrival date.

Therefore, the starting point for calculating PIT is the first day the foreign employee arrives in Vietnam for working as stated in the labor contract or the assignment document to work in Vietnam. Where the foreign employee travels to Vietnam for short-term business travel, then later returns to Vietnam to work under a long-term labour contract, the first tax period is from the initial arrival date for the business travel.

## FOR FURTHER INFORMATION CONTACT:

**Matthew Lourey**, *Managing Partner*  
email: matthew.lourey@domicilecs.com

**Phan Thi Thu Thuy**, *Director - Accounting*  
email: thuy.phan@domicilecs.com

**Do Thi Thao**, *Manager - Accounting*  
email: thao.do@domicilecs.com

*Ho Chi Minh City:* Level 9, Abacus Tower  
58 Nguyen Dinh Chieu, District 1,

*Hanoi:* Level 13, Hanoi Tower  
49 Hai Ba Trung, Hoan Kiem District,

*Danang:* Level 3, Indochina Riverside Tower  
74 Bach Dang, Hai Chau District,

Email: info@domicilecs.com

www.DomicileCS.com

*This publication is general in nature and should not be relied upon without first seeking specific advice. No liability is taken for the content of this publication, nor any responsibility for any actions taken based upon the content.*

Copyright (c) 2018 Domicile Consulting & Service Company Limited, All rights reserved.

**Domicile**  
Corporate Services