

LEGAL UPDATES

June 2020

Reducing 30% of corporate income tax for businesses with revenue not exceeding VND 200 billion

On June 19, 2020, the National Assembly voted to approve the Resolution on reduction of corporate income tax (CIT) payable for year 2020 for businesses, cooperatives, non-business units and other organizations.

This is one of the policies to support domestic businesses to overcome difficulties under the impact of COVID-19 pandemic.

Accordingly, CIT payable for year 2020 of businesses with total revenue in 2020 not exceeding VND 200 billion shall be reduced by 30%.

This Resolution shall take effect after 45 days from the date of signing and shall apply to the tax period of 2020. The National Assembly assigned the Government to guide the implementation of this Resolution.



03 more rights for taxpayers from July 01, 2020

As the Law on Tax Administration 2019 (amended and supplemented) takes effect from July 01, 2020, taxpayers have more rights compared to current regulations.

Accordingly, taxpayers have the right to:

1. Enjoy exemption from penalties for administrative tax offences, exemption from late payment interest for cases where taxpayers comply with guidelines and handing decisions of tax authorities and/or state authorities on determination of their tax liabilities.
2. Access and print all electronic records that taxpayers have sent to web portals of tax authorities as prescribed in this Law and law on e-transactions.
3. Use electronic records in transactions with tax authorities and relevant organizations and/or individuals.

Apart from the above new rights, the other rights of taxpayers still remain under the former law.

The Law on Tax Administration 2019 replaces the Law on Tax Administration 2006 (amended and supplemented).

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LEGAL DOCUMENTS

- ⇒ Official letter No. 6337/BTC-HCNS
- ⇒ Decree No. 68/2020/ND-CP
- ⇒ Resolution No. 954/2020/UBTVQH14

Raising the deductible limit of loan interest expenses to 30% when determining CIT

The Government recently issued Decree No. 68/2020/ND-CP amending Clause 3, Article 8 of Decree No. 20/2017/ND-CP on tax administration for enterprises engaged in transfer pricing.

Accordingly, the total deductible interest expenses when determining taxable corporate income for enterprises with related-party transactions shall be as follows:

⇒ Total deductible interest expenses (after deducting deposit interest and loan interest) arising within a tax period when determining taxable corporate income **shall not exceed 30%** of total net profit generated from business activities in the period, plus interest expenses (after deducting deposit interest and loan interest) in the period, plus amortization costs in the period.

(Formerly, a taxpayer's total deductible interest expenses arising within a tax period when determining taxable corporate income should not exceed 20% of total net profit generated from business activities plus interest expenses and amortization costs arising within that period.)

⇒ The non-deductible interest expenses under the provisions of Point a, Clause 3, Article 8 of Decree No. 20/2017/ND-CP (amended in Article 1 of Decree No. 68/2020/ND-CP) shall be carried forward to the next tax period when determining the total deductible interest expenses if the total deductible interest expenses arising within the next tax period is below the rate specified at Point a, Clause 3, Article 8 of Decree No. 20/2017/ND-CP (amended in Article 1 of Decree No. 68/2020/ND-CP). The time for carrying forward interest expenses shall not exceed 05 consecutive years from the year following the year in which the non-deductible interest expenses have arisen.



Taxpayers shall be allowed to make amended CIT declarations of the years 2017 and 2018 to determine the interest expenses, and the corresponding CIT payable (if any), and submit them to the supervisory tax authorities before January 01, 2021.

After additional declarations, if the CIT decreases, the CIT payable (if any) shall be reduced accordingly. In case the taxpayer's CIT and late payment interest already paid to the State Budget are more than those after re-determination, the difference shall be offset against the CIT payable in year 2020.

If the CIT in 2020 is not sufficient for a full offset, the remains shall be offset against the CIT payable in the following years with a maximum of 05 years from 2020. After the expiration of the above time limit, the remaining tax not fully offset shall not be settled.

Decree No. 68/2020/ND-CP officially takes effect from June 24, 2020 and applies to the tax period of 2019.





Notify

From July 01, 2020 personal income tax only applies to income exceeding VND 11 million/month

Resolution No. 954/2020/UBTVQH14 of the Standing Committee of the National Assembly on changes to family deduction levels (exemptions) of personal income tax (PIT) takes effect from July 01, 2020 and applies to the tax period of 2020. Accordingly, the family deduction levels specified in the Law on Personal Income Tax are changed as follows:

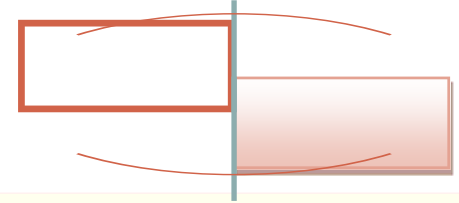
- ⇒ Personal exemption: VND 11 million/month (VND 132 million/year);
- ⇒ Dependent exemption: VND 4.4 million/dependent/month.

Compared to the former regulations, personal exemption increases by VND 2 million/month; and dependent exemption increases by VND 0.8 million/dependent/month.

In order to guide taxpayers in tax declaration applying the new family deduction levels, the General Department of Taxation has issued an official letter guiding the implementation of Resolution No. 954/2020/UBTVQH14 on changes to PIT exemptions.

This official letter states that taxpayers eligible to declare tax monthly shall declare PIT and pay provisional PIT on their salaries or wages applying the new exemptions from the provisional tax period of July, 2020 (deadline to submit declarations is August 20, 2020).

As for taxpayers eligible to declare tax quarterly, it shall be applied from the provisional tax period of the 3rd quarter of 2020 (deadline to submit declarations is October 30, 2020).



The General Department of Taxation stipulates that: as for the months/quarters in the tax period of 2020 that taxpayers have paid provisional PIT on salaries and wages applying the exemptions specified in Clause 1, Article 19 of the Law on PIT No. 04/2007/QH12, amended by Law No. 26/2012/QH13 (that is VND 9 million/taxpayer/month, and VND 3.6 million/dependent/month), the PIT payable in the tax period of 2020 may be re-determined by applying the new exemptions specified in Article 1 of Resolution No. 954/2020/UBTVQH14 when finalizing PIT.

Taxpayers who have paid tax and applied the exemptions specified in Clause 1 Article 19 of the Law on Personal Income Tax 2007 (amended in 2012) may recalculate the PIT payable by applying the new exemptions specified in this Resolution when preparing the 2020's annual PIT declaration.



Temporary suspension of social insurance payment due to Covid pandemic shall not require documents proving the damage of 50% of total assets' value

Official Letter No. 6337/BTC-HCNS dated May 29, 2020 of the Ministry of Finance provides guidance on applications for suspension of payment to the retirement and survivorship fund.

The Ministry of Finance states that the suspension of social insurance payment due to the impact of Covid pandemic is implemented in accordance with Resolution No. 42/NQ-CP, not applicable to those provided by Decree No. 115/2015/ND-CP (Article 16).

Accordingly, enterprises are allowed to suspend the payment of social insurance for a maximum of 12 months if at least 50% of employees are suspended, take unpaid leave or have suspended labor contract; not requiring the damage of at least 50% of total assets' value as prescribed at Point b, Clause 2, Article 16 of Decree No. 115/2014/ND-CP.



Resolution No. 42/NQ-CP dated April 09, 2020 of the Government on the assistance for people affected by COVID-19 pandemic regulates that: In case an employer affected by COVID-19 pandemic has to lay off at least 50% of labor force participating in social insurance before the epidemic declaration (including employees that are suspended, have suspended labor contract, or take unpaid leave), the employer and their employees may suspend the payment to the retirement and survivorship fund for a maximum of 12 months.

NOTICE:

“The purpose of this news is to provide the clients with further information. Although we have focused much on the ensure of accuracy, the information that is given on this news is not absolutely thorough and the clients would better consult professional opinions before application.”