



Legal Updates

Official extension of payments of taxes and land rents for enterprises

The Government has issued Decree No. 41/2020/ND-CP on deferral of payments of taxes and land rents. Therefore, from April 08, 2020, enterprises and business households are entitled for the payment extension of corporate income tax, personal income tax, value added tax and land rent:

05 groups of tax-payers entitled for the extension

The Decree is applicable for 5 groups of tax-payers:

- 1.** Enterprises, organizations, households and individuals engaged in production activities in following economic sectors: Agriculture, forestry and fishery. Manufacturing and processing food; weaving; producing costumes; producing leather and related products; processing wood and producing products from wood, bamboo of various species (except beds, wardrobes, tables, chairs); manufacturing products from straw and plaiting materials; producing paper and paper products; producing products from rubber and plastic; producing products from other non-metallic mineral; metal production; mechanical processing; treating and overlaying metal; manufacturing electronic products, computers and optical products; manufacturing automobiles and other motor vehicles; production of beds, wardrobes, tables, chairs and groups of enterprises, organizations, households and individuals engaged in construction activities.
- 2.** Enterprises, organizations, households and individuals doing business in following economic sectors: warehousing transport; accommodation and catering services; education and training; health and social assistance activities; real estate business; labor and employment service activities; activities of travel agents, tour operators and supporting services related to tourism promotion and organization; creative, artistic and recreational activities; library activities, archives, museums and other cultural activities; sports activities, entertainment; film screening activities.

The list of economic sectors mentioned in Clauses 1 and 2 of this Article is specified under the Prime Minister's Decision No. 27/2018/QĐ-TTg on promulgating Vietnam standard industrial classification.

- 3.** Enterprises, organizations, households and individuals engage in manufacturing of prioritized ancillary industry product and key mechanical products.

The list of prioritized ancillary industry product is specified under the Decree No. 111/2015/QĐ-ND-CP dated November 03, 2015 of the Government.

Decree No. 41/2020/ND-CP refers to deferral of payments of corporate income tax, personal income tax, value added tax and land rents.

Official letter No. 245/TLD dated March 18, 2020 refers to the extension of the deadline for payment of trade union fees for enterprises affected by Covid-19 epidemic.

Circular No. 01/2020/TT-NHNN stipulates the credit institutions, foreign bank branches' debt rescheduling, exemption or reduction of interests and fees, retention of debt category to assist borrowers affected by Covid-19 pandemic.

Official letter No. 860/BHXH-BT dated March 17, 2020 provides the guidance on the temporary suspension of contribution to the retirement and survivorship fund for those affected by the Covid-19 epidemic.

Official letter No. 1064/LĐTBXH-QHLDTL dated March 25, 2020 of the Ministry of Labor, Invalids and Social Affairs refers to guidelines on payment of suspension wage and settlement of benefits for employees during suspension in relation to the Covid-19 pandemic.



Deferral period is 05 months

The Decree particularly specifies the extension of tax payment deadlines.

CORPORATE INCOME TAX (CIT)

CIT declared in the 2019's annual statement and CIT declared in the first and second quarters of 2020 by organizations and enterprises will be deferred for 05 months from the deadline for CIT payment prescribed by tax administration laws.

In case an enterprise or organization has already paid the CIT declared in the 2019's annual statement to the State Budget, it may offset the paid CIT against other unpaid taxes.

LAND RENTS

It is particularly specified by the Decree that deadline for annual payment of rents that are due in beginning of 2020 for direct lease of land by the State under decisions, contracts of competent authorities will be deferred for 05 months since May 31, 2020.

4. Micro and small-sized enterprises are specified in accordance with the Law on Assistance for small and medium-sized enterprises No. 04/2017/QH14 and Decree No. 39/2018/ND-CP of the Government detailing a number of articles of the Law on Assistance for small and medium-sized enterprises.

5. Credit institutions and foreign bank branches implement solutions to support customers being enterprises, organizations and individuals affected by Covid-19 epidemic in accordance with the regulations of the State Bank of Vietnam. The State Bank of Vietnam is responsible for publishing the list of credit institutions and foreign bank branches that provide assistance for tax authorities to grant deferral of tax and land rent in accordance with this Decree.

VALUE ADDED TAX (except VAT paid upon importation of goods):

VAT incurred by the enterprises and organizations mentioned above during March, April, May, June of 2020 (for taxpayers declaring tax monthly), first and second quarter of 2020 (for taxpayers declaring tax quarterly) may be deferred for 05 months from the deadlines for VAT payment prescribed by tax administration laws.

In case a taxpayer makes a revision to the tax declaration that results in an increase in the VAT payable and submit the revised tax declaration to the tax authority by the deadline of the deferral period, the VAT amount eligible for deferral then includes the additional tax payable incurred due to such revision.

Enterprises and organizations eligible for tax deferral shall submit their monthly or quarterly VAT declarations in accordance with applicable laws and may postpone payment of the VAT declared.

Particularly, the deferred deadlines are as follows:

VAT payment deadline of	Not later than
• Tax period of March 2020	September 20, 2020
• Tax period of April 2020	October 20, 2020
• Tax period of May 2020	November 20, 2020
• Tax period of June 2020	December 20, 2020
• Tax period of Quarter I/2020	September 30, 2020
• Tax period of Quarter II/2020	December 30, 2020

Deferral orders and procedures are simple

As stipulated by the Decree, a taxpayer eligible for tax deferral just needs to submit an Application for tax and land rent deferral (electronically or another method) using the form as provided to the supervisory tax authority. The application shall include all payments of tax and land rent deferred and be submitted together with the monthly (or quarterly) tax declaration as prescribed by tax administration laws.

In case the application for tax and land rent deferral is not submitted together with the monthly (or quarterly) tax declaration, it shall be submitted by July 30, 2020 at the latest. The tax authority still defers tax and land rent incurred before the application is submitted if eligible.

In case a taxpayer leases land from the State in more than one administrative division, the taxpayer's supervisory tax authority is responsible for sending copies of the Application for tax and land rent deferral to the tax authorities in charge of the areas where land is leased.

Taxpayers shall be responsible for their eligibility for deferral as prescribed in this Decree. Tax and land rent shall not be deferred in accordance with this Decree if the Application for tax and land rent deferral is submitted after July 30, 2020.

Over the deferral period, the tax authority shall not charge interest on the deferred tax and land rent (even if the application for deferral is submitted after submission of the monthly or quarterly tax declaration but not later than July 30, 2020).

Extension of the deadline for payment of trade union fees

Vietnam General Confederation of Labor's Official letter No. 245/TLD dated March 18, 2020 refers to the extension of the deadline for payment of trade union fees for enterprises affected by Covid-19 epidemic.

Accordingly, production and business enterprises affected by the Covid-19 epidemic are allowed to postpone the payment of union fees of the first 6 months of 2020 until June 30, 2020.

Enterprises affected by the Covid-19 epidemic are those whose employees participating in the social insurance program have to temporarily quit their work account for at least 50% of total personnel subject to the requirement for participation in the compulsory social insurance program.

If these enterprises continue to face difficulties because of failure to curb Covid-19 after the aforesaid deadline, then the deadline will be extended to December 31, 2020.

affected by Covid-19 pandemic.

Accordingly, the credit institutions and foreign bank branches will, according to their own rules and regulations, decide reduction and exemption of interest and/or fees on extension of the debts (except purchases of corporate bonds) for the borrowers:

- Whose obligation to repay the principal and/or interest are due during the period from January 23, 2020 to the day after 03 months after the Prime Minister declares the end of the Covid-19; and
- Who are not able to repay the principal and/or interest by the deadline specified in the original agreement due to decrease in revenue caused by Covid-19.



Exemption and reduction of interests and fees according to the Credit institution's internal rules

The State Bank issued Circular No. 01/2020/TT-NHNN stipulating the credit institutions, foreign bank branches' debt rescheduling, exemption or reduction of interests and fees, retention of debt category to assist borrowers



Suspension of contributions to the retirement and survivorship allowance fund

Vietnam Social Security released Official letter No. 860/BHXH-BT dated March 17, 2020 providing the guidance on the temporary suspension of contribution to the retirement and survivorship fund for those affected by the Covid-19 epidemic until June 2020 or December 2020 without charging late payment interests.

Accordingly, those enterprises are in sectors as passenger transportation, tourism, accommodation, restaurants and other special industries facing difficulties caused by the pandemic leading to be unable to arrange jobs for employees, in which the number of those who are participating in social insurance and are temporarily unemployed accounts for at least 50% of the total number of the employees present before temporarily halting production and business or suffer losses of more than 50% of the total value of assets caused by the pandemic (excluding the properties of land value) according to regulations at Clause 1 Article 88 of the Law on social insurance 2014.

In addition, during suspension of contributions to the retirement and survivorship allowance fund, the Social Security does not conduct specialized investigation pertaining to the payment or inspection of compliance with laws on social insurance, health insurance, unemployment insurance with regard to enterprises affected by Covid-19 if such enterprises do not show signs of violation.

Guidelines on payment of suspension wage due to Covid-19 pandemic

Official letter No. 1064/LDTBXH-QHLDL dated March 25, 2020 of the Ministry of Labor, Invalids and Social Affairs refers to guidelines on payment of suspension wage and settlement of benefits for employees during suspension in relation to the Covid-19 pandemic.

Related to the payment for suspension wage due to the Covid-19 epidemic, the Department of Labor requires enterprises to base on regulations at Article 98 of the Labor Code No. 10/2012/QH13 and causes of the suspension to determine the payment to employees.

With regard to the following cases where the employees have to suspend because of the direct effect of the Covid-19 pandemic, the salary will be paid by a rate agreed by the two parties but it must not be smaller than the region-based minimum wage rates (Clause 3 Article 98 Labor Code):

- Employees who are foreigners have not been returned to Vietnam to work at the request of the competent authority;
- Employees are forced to be isolated;
- Employees have to suspend because their employer or other employees are being put into quarantine or have not been allowed to get back to work.

In case an enterprise faces difficulties in relation to raw materials, market resulting in the failure to allocate sufficient jobs to employees, the employer may temporarily assign an employee to perform another job according to Article 31 of the Labor Code or may reach an agreement on suspension of the labor contract according to Article 32 of the Labor Code. If the enterprise has to narrow its production resulting in the reduction of job positions, the enterprise may implement in accordance with Article 38 or Article 44 of the Labor Code.

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.”

U&I AUDITING COMPANY LIMITED

Head office: No. 9 Ngo Gia Tu, Thu Dau Mot City, Binh Duong Province

Tel: 0274 3816 289 Fax: 0274 3816 291

HCM Office: 40 Ba Huyen Thanh Quan, District 3

Tel: 028 3526 0103 Fax: 028 3526 0104

Hanoi Office: Hapro Building, 11B Cat Linh, Dong Da District

Tel: 024 3734 9363 Fax: 024 3734 9364

Website: www.uniaudit.vn