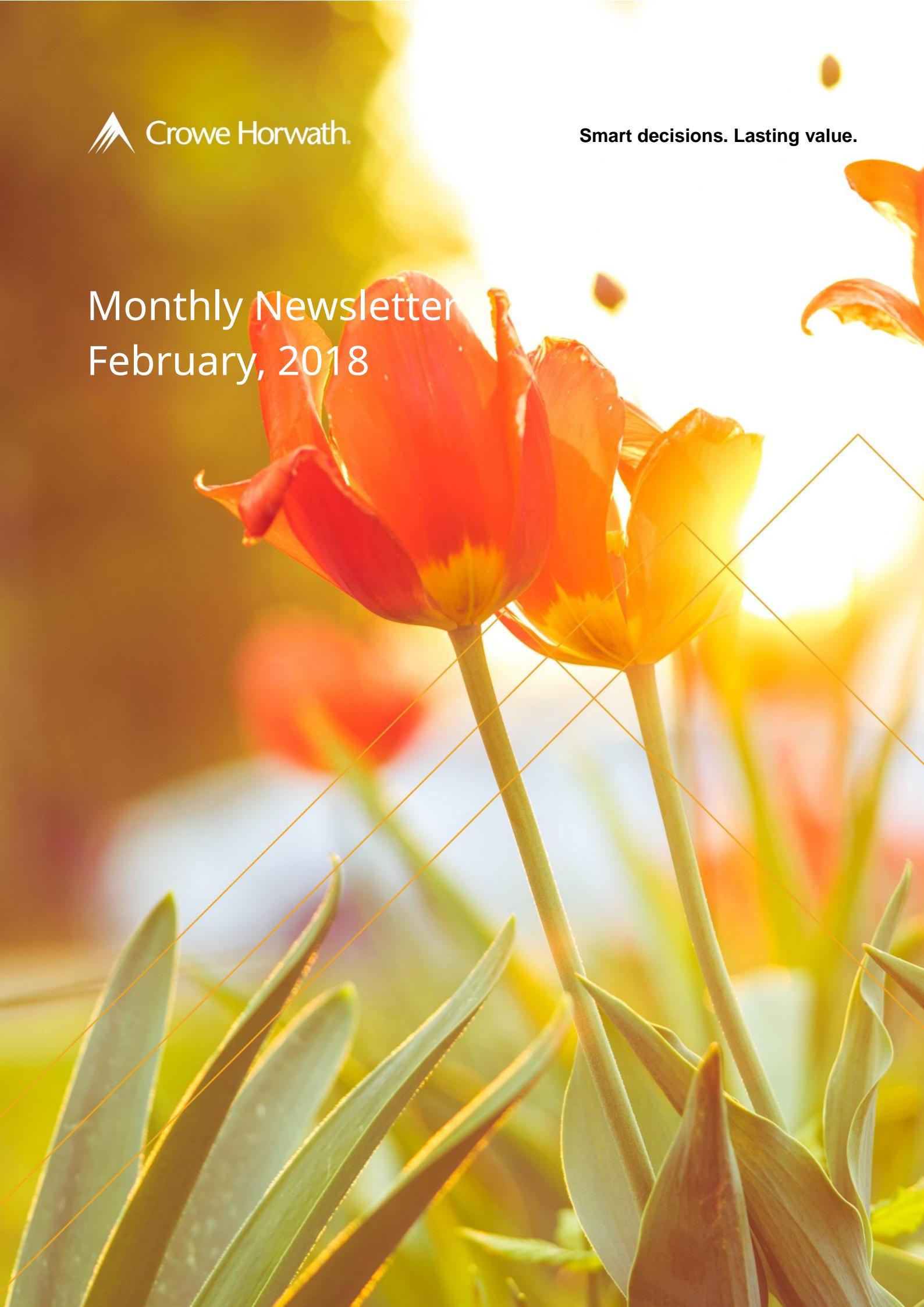




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Monthly Newsletter

February, 2018



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February, 2018

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Corporate Income Tax

Determine deductibility of interest expense incurred in transactions with related parties

On 24th January 2018, Hanoi Tax Department issued Official Letter no. 3966/CT-TTHT as guidance for interest expense as per Decree No. 20/2017/NĐ-CP as to companies entered into related transactions. Principle to determine deductibility of interest expense is as below:

- Interest expense is total of interest expense incurred in the period;
- Interest expense which is eligible for capitalisation to investment project is excluded total interest expense incurred in the period upon determination of its deductibility for CIT purpose as per Clause 3 Article 8 Decree No. 20/2017/NĐ-CP.
- Where the company earns interest income from deposit, borrowings; those are not netted off with interest expense incurred upon determining its deductibility for CIT purpose.

Personal Income Tax

Assessment of PIT on temporary card, visa, and work permit

On 25th August 2017, GDT issued Official Letter No. 3867/TCT-TNCN as guidance of PIT assessment on temporary card, visa, and work permit.

- Where fees for foreign employees' temporary card, visa are paid by the company, these are treated as assessable income from employment and are subject to PIT declaration and payment.
- The responsibility to apply for work permit falls on the company that hires foreign employees. Hence, expenses incurred for work permit paid by company are not taken into account upon PIT assessment.

Personal Income Tax

Assessment of CIT, PIT on PIT consulting fees for foreigners

On 06th December 2017, Hanoi Tax Department issued Official letter no. 79003/CT-TTHT as guidance for CIT, PIT assessment relating to PIT consulting fees for foreigners.

According to the letter, where the company engages a PIT consulting service for the benefit of a specific individual or a group of individuals:

- CIT: such consulting fee is not incurred in the course of ordinary business, nor a welfare expenditure; therefore, it is not allowed for deduction for CIT purpose.
- PIT: the fee is treated as employees' assessable income.

Personal Income Tax

Foreign withholding tax documents

On 29th December 2017, GDT issued Official Letter No. 6005/TCT-TNCN as guidance of foreign withholding tax documents

Individuals who declare and directly finalise tax position with tax departments; and have already paid foreign withholding tax have to submit below documents in order to claim tax credit for such paid tax:

- Photo of foreign individual tax return.
- Foreign withholding certificate
- Income confirmation letter issued by the company with details of foreign withholding tax.

Taxpayer is responsible for the accuracy of information contained in the photos; and information in provided documents must be sufficient, clear and related. It is to make sure that tax credit is foreign withholding tax.

Other

Notes on Certificates of Origin since 25/12/2017

On 25th December 2017, General Department of Customs issued Official Letter No. 8382/TCHQ-GSQL on increasing inspections for origin of imported goods upon custom procedures. GDC has made some remarks on custom procedures for imported goods subject to special preferential import tariffs, as well as C/O acceptance, including:

- C/O on custom declaration;
- C/O form;
- Information declared on C/O
- Proof of transportation & proof of origins.

In case there're doubts about C/O validity, C/O declaration or actual origin of imported goods, during verification process conducted by GDC, imported goods are not entitled to special preferential import tariffs. MFN preferential import tariffs shall apply.

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Hanoi Office

Address: Suite 1205, 12th Floor, IPH Office Tower
241 Xuan Thuy, Cau Giay District, Hanoi, Vietnam
Tel: +(84-24) 2220 8334 / 37
Fax: +(84-24) 2220 8335

Newsletter in-charge

Ms. Nguyen Thi Thu Huyen

Mobile: +(84) 988 238 234

Ho Chi Minh Office

Address: 14th Floor, TNR Tower, 180-192 Nguyen Cong Tru,
District 1, Ho Chi Minh City, Vietnam
Tel: +(84-28) 3827 8516 / 19
Fax: +(84-28) 3827 8517

Newsletter in-charge

Mr. Phan Doan Khanh

Mobile: +(84) 972 487 048

