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Monthly Newsletter December, 2017



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Value Added Tax

Decree No. 146/2017/NĐ-CP on revised VAT & CIT regulation

On 15th December 2017, Government issued Decree no. 146/2017/NĐ-CP as revision for Decree no. 100/2016/NĐ-CP dated 01st July 2016 and Decree no. 12/2015/NĐ-CP dated 12th February 2015.

The Decree includes amendments on:

1. VAT exemption on exported goods which are raw natural resources and minerals.
2. Regulations on VAT refund:
 - Business entities are entitled to VAT refund where in a month/ quarter they import goods to export to (i) non-tariff area; or (ii) other countries; have VAT input refundable above VND 300 million.
 - Business entities are not entitled to VAT refund where imported goods are then exported, but export procedures for such goods are not declared at Customs of corresponding operating region as per Customs regulation.
3. Non-deductible expenses for CIT purpose:
 - Excess of VND 3 million/ per month/ per staff expensed for contribution to voluntary social insurance fund, purchase of voluntary social insurance, life insurance for employees are non-deductible expenses for CIT purpose.

This decree comes into effect on 01st February 2018.

Personal Income Tax

Personal Income Tax treatment for employees' tuition fees

On 15th November 2017, GDT issued Official Letter no. 5249/TCT-TNCN as guidance on Personal Income Tax treatment for employees' tuition fees for such international accounting/ auditing program as ACCA.

Where Company as planned sponsors its own employees for education courses which directly relate to their current employment, profession. Payments for such tuition fees can be made via personal bank accounts, and the Company later reimburses employees via bank transfer to their bank accounts. Required document includes invoices issued by education providers. The sponsorship shall also be exempted from those employees' assessable income.

FCT declaration for foreigners providing construction supervision & consulting service

On 23rd November 2017, GDT issued Official letter no. 5392/TCT-TNCN as guidance on FCT declaration for foreigners providing construction supervision & consulting services to domestic corporations.

- If foreigner is a business entity, that he/she shall be treated as business person. Income derived from construction supervision & consultancy contract is subject to Foreign contractor tax which includes VAT and PIT on business income. Domestic corporations are responsible for FCT declaration and payment on behalf of foreign contractor.
- If foreigner is not a business entity, he/she shall not be treated as business person. Income derived from construction supervision & consultancy contract is subject to PIT on employment income. Domestic corporations are responsible for tax withholding at 10% in case of resident, and 20% in case of non-resident, or at progressive tax rate in case of resident and the contract qualifies a labour one.

In order to be classified as business entity, foreigners have to register their own business in compliance with foreign regulations, or documents/ proof of business entity acknowledged by foreign regulations. Documents, dossier in foreign languages must be legalized in accordance with Ministry of Foreign Affairs' guidance on consular legalization.

Minimum regional wages increase from 01/01/2018

On 7th December 2017, Government issue Decree no. 141/2017/ND-CP on minimum regional wages applied for those who work under a labour contract. From 01/01/2018, minimum regional wages are as below:

- Region I: VND 3,980,000 per month (increase by VND 230,000)
- Region II: VND 3,530,000 per month (increase by VND 210,000)
- Region III: VND 3,090,000 per month (increase by VND 190,000)
- Region IV: VND 2,760,000 per month (increase by VND 180,000)

The decree also maintains below principles:

- Company applies minimum regional wages corresponding to its operating location. Where company has various branches operating in various locations, each branch applies minimum regional wages corresponding to its operating location.
- Companies operating in industrial parks, export processing zones, economic zones and hi-tech parks which belongs to various regions with various minimum wages level shall be required to apply the highest minimum wages level.
- Companies operating in areas which are renamed or under subdivision shall apply minimum regional wages corresponding to the region before being renamed or subdivided until further announcement from Government.

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