



IC&PARTNERS VIETNAM

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TAX NEWSLETTER

SEPTEMBER 2021



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Taxable value of the goods processed by export processing enterprises (EPEs) when being imported into Vietnam

Official Letter No. 3634/TCHQ-TXNK on July 19, 2021 of General Department of Customs stipulates taxable value of the goods processed by export processing enterprises (EPEs) when being imported into Vietnam:

Accordingly, when a domestic enterprise imports goods for the production or processing of exported goods, then delivers the imported goods or semi-finished products manufactured from all imported goods to the EPEs for processing:

- The domestic enterprise must declare and pay import duty in accordance with Clause 2 Article 22 of Decree No. 134/2016/ND-CP.
- Taxable value is the cost for processing and the value of raw materials used for the processing that are provided by EPES and the adjustment (if any) as prescribed in Clause 3, Article 17 of Circular No. 39/2015/TT-BTC.
- The value of materials provided to EPES by the domestic enterprise for processing shall not be included in the taxable value of the processed products.

Official Letter No. 3634/TCHQ-TXNK takes effect from July 19, 2021

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Tax policy for on-spot import of raw materials for export production

Official Letter No. 3487/TCHQ-TXNK dated July 12, 2021 of the General Department of Customs guiding the tax policy for raw materials imported on the spot for export production.

Accordingly, the tax treatment on goods imported on the spot for export production is regulated as follows:

a. Cases that are exempt from import tax and not subject to Value-added Tax (VAT):

- Domestic enterprises import goods directly from export processing enterprises (EPEs) to produce goods for export through purchase and sale contracts.
- A domestic enterprise imports goods on the spot from the EPE in case the EPE sells goods to a foreign organization or individual and is assigned to deliver the goods to the domestic enterprise through the purchase and sale contract between the domestic enterprise and the foreign enterprise.

b. In case of declaration and payment of import duty

A domestic enterprise purchases goods from a foreign trader and is designated to receive goods from another domestic enterprise in Vietnam.

In that case: When on-spot imported goods are produced and exported to a foreign country or a non-tariff zone, the enterprise is entitled to a refund of import duty corresponding to the amount of on-spot imported raw materials and supplies constituting in exported products specified in Article 36 of Decree 134/2016/ND-CP.

Official Letter No. 3487/TCHQ-TXNK takes effect from July 12, 2021

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Interest subsidies granted to Covid-19 stricken enterprises

Circular No. 14/2021/TT-NHNN dated September 7, 2021 of the State Bank of Vietnam amending and supplementing regulations on debt rescheduling, exemption and reduction of interest and fees to support customers stricken with Covid-19.

Accordingly, the exemption and reduction of interest and fees are applied to customers who simultaneously meet the following conditions:

- Having outstanding debts arising from credit extension activities before August 1, 2021, except for corporate bond purchase and investment.
- Obligations to repay principal and/or interest are due during the period from January 23, 2020 to June 30, 2022.
- Borrowers who are incapable of repaying principal and/or interest debts by maturity dates under terms and conditions of lending contracts or agreements due to decreases in their sales and income caused by the Covid-19 outbreak.

Thus, the duration for exemption and reduction of interest and fees for customers according to Circular No. 14/2021/TT-NHNN (deadline: **June 30, 2022**) has been extended by 06 months compared to Circular No. 03/2021/TT-NHNN issued on April 2, 2021 (deadline: **December 31, 2021**)

Circular No. 14/2021/TT-NHNN takes effect from September 7, 2021

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Determination of related party relations when the Enterprise borrows from the Bank

On June 29, 2021, the Hanoi Tax Department issued Official Letter No. 23820/CTHN-TTHT guiding the determination of related party relations when an enterprise borrows from the Bank.

Accordingly, the Company and the parties are determined to have related party relations when the Company is offered a loan in any form by another enterprise (even including third-party loans guaranteed by financing sources of related parties and financial transactions of same or similar nature) with the following conditions:

- The loan amount equals at least 25% of equity of the borrowing enterprise, and;
- The loan makes up for more than 50% of total medium- and long-term debts of the borrowing enterprise;

When the parties have related party relations, the transaction arising between the parties is a related-party transaction specified in Clause 2, Article 1 of Decree 132/2020/ND-CP.

Official Letter No. 23820/CTHN-TTHT takes effect from June 29, 2021

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Recording, assessment, and settlement of the exchange differences

On May 27, 2021, the Ministry of Finance issued Circular No. 37/2021/TT-BTC abolishing Circular No. 179/2021/TT-BTC regulating the recording, assessment, and settlement of the exchange differences in the enterprise.

The abolishment of Circular No. 179/2021/TT-BTC aims to unify regulations related to the assessment of foreign currency balances at the end of the accounting period when preparing financial statements and regulations on profit sharing for non-monetary payments of profit after tax.

After Circular No. 179/2021/TT-BTC is abolished, regulations on recording, assessing, and handling the exchange differences in enterprises are uniformly implemented according to the guidance in Circular No. 200/2014/TT-BTC.

Circular No. 37/2021/TT-BTC takes effect from July 11, 2021

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The change in salary as the basis for calculating sickness benefits

Circular No. 06/2021/TT-BLĐTBXH dated July 07, 2021 amending and supplementing some regulations of Law on Social Insurance regarding compulsory social insurance.

Accordingly, the change in salary as the basis for calculating sickness benefits is amended and supplemented specifically as follows:

For employees subject to compulsory social insurance contributions to the sickness and maternity fund, the sickness benefits are based on:

- According to Clause 3, Article 6 of Circular No. 59/2015/TT-BLĐTBXH, the sickness benefits are calculated on salaries contributed to social insurance *of the month of leave* (This Clause has been amended by Clause 3, Article 1 of Circular No. 06/2021/TT-BLĐTBXH).
- According to Clause 3, Article 1 of Circular No. 06/2021/TT-BLĐTBXH, amending Clause 3, Article 6 of Circular No. 59/2015/TT-BLĐTBXH, the sickness benefits are calculated on salaries contributed to social insurance *of the month preceding the month of leave*.

In case the employee continues to be sick in the following months and has to take leave, the sickness benefits are calculated on the monthly salary as a basis for contributing social insurance of the preceding month before resigning.

Circular No. 06/2021/TT-BLĐTBXH takes effect from September 1, 2021



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INTRODUCTION

IC&Partners Vietnam Co., Ltd. is a member of IC&Partners S.p.A in Italy, specializing in providing services on Tax Agent, Tax Consulting, Transfer Price Documentation Consulting, Corporate Consulting, and other support related to the day-to-day operations of the business. We have many years of experience in providing services for the field of consulting in general and tax consulting in particular for multinational corporations of different nationalities such as Korea, Japan, Italy, Germany, Singapore ... not only in Vietnam but also in many other countries around the world.

Currently, the regulations and policies of the Tax Department are increasingly strict while businesses cannot anticipate the risks that may occur due to the lack of grasp of current legal regulations.

We are pleased to serve you with the following services:

- Tax Agent (Quarterly Tax Report, Annual Tax Finality)
- Tax risk review
- Supporting the procedures for establishing, closing the Company
- Refund of VAT and PIT
- Consultancy on making transfer price dossiers
- Procedures for dealing with tax problems (exemption, reduction, tax penalty, etc.)
- Consulting services, support on management and other administration.

With the strength of quality and prestige, IC&Partners Vietnam is confident to bring the most satisfaction to customers when coming to us.

Sincerely thank you!