



Russell Bedford

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NEWSLETTER

July 2020

# 01 TAX UPDATE







## UPDATE NEW TAX POLICIES:

- ❑ Official Letter No. 1930/CT-TTHT regarding the deductibility of depreciation expense recorded during the operation suspension period because of Covid-19's impact for corporate income tax ("CIT") calculation purpose
- ❑ Official Letter No. 2835/TCT-TTKT guiding the implementation of Decree No. 68/2020/ND-CP ("Decree 68") regarding the application of the threshold on deductible interest expense of enterprises with related party transactions for corporate income tax ("CIT") calculation purpose
- ❑ The National Assembly passed Resolution No. 116/2020/QH14 on Corporate Income Tax reduction in 2020 for business with its total revenue of less than VND 200 billion.



**Official Letter No. 1930/CT-TTHT dated 2 July 2020 by Hai Phong Tax Department regarding the deductibility of depreciation expense recorded during the operation suspension period because of Covid-19's impact for corporate income tax ("CIT") calculation purpose as below:**

- In the event that, **under the Covid-19's effect, the taxpayer had to temporarily suspended the operation of some fixed assets ("FAs")**, which does not fall into either cases of temporarily suspension due to (i) seasonal operation with the suspension time less than 09 months, or (ii) FAs repairs, relocation, periodic maintenance with the suspension time less than 12 months, and the fixed assets would be resumed to business operation after such temporary suspension, **the depreciation expenses of such FAs during the suspended period shall not be treated as deductible expenses for CIT calculation purpose.**



Official Letter No. 2835/TCT-TTKT dated 14 July 2020 by the General Department of Taxation guiding the implementation of Decree No. 68/2020/ND-CP ("Decree 68") regarding the application of the threshold on deductible interest expense of enterprises with related party transactions for corporate income tax ("CIT") calculation purpose. Detail as following:

**For the tax  
year 2019**

- **Already declared CIT finalization for the tax year 2019** ended before 31 March 2020, taxpayer shall revise and amend the CIT finalization dossier following the regulation under Decree 68.
- **Not yet declare CIT finalization for the tax year 2019** following Decree 68's guidance.

□ **Notes:**

- The re-determination of CIT liability amount is performed **at** tax offices, **no** tax audit/inspection should be taken place at taxpayers' offices; **no revision** to the 2017 – 2018 tax audit/inspection's conclusions and decisions.
- If there are already penalty for tax administrative violation or the case is under appeal process, the amount of tax administrative fine **will not be adjusted**.



## CIT offset for tax years 2017, 2018

**Not yet inspected/audited:** offset the difference between the recalculated CIT and late payment interest amount and the 2020 CIT liability; if it is not fully offset, the remaining amount may continue to be offset against CIT liability of the 5-year period

**Already inspected/audited with the conclusion and decision:** taxpayer shall request tax authority in charge to verify the CIT liability amount. The recalculated CIT and late payment interest amount will be offset with the 2020 CIT liability; if it is not fully offset, the remaining amount may continue to be offset against CIT liability of the 5-year period

## Retrospective application for tax years 2017, 2018

Raise the cap on interest expense from **20% to 30%**;

Apply for **net interest expense** (interest expense minus (-) income from deposit interest, income from loan interest);

The specifications of non-deductible expense carried-forward and expansion of exemption cases **are not retrospective**

**On 19 June 2020, Vietnam National Assembly has officially passed the Resolution No. 116/2020/QH14 for 30% reduction of Corporate Income Tax (“CIT”) in 2020 for businesses with its total revenue of less than VND 200 billion. This Resolution shall take effect after 45 days upon the signing date and will be applied to the tax year 2020**

- ❑ This Resolution is applied to all businesses (i.e. production, goods and services trading) having taxable income under the Law on CIT, including:
  - ✓ Enterprises are established in accordance with Vietnam Regulations
  - ✓ Organizations are established under the Law on Cooperatives
  - ✓ Non-business units are established in accordance with Vietnam regulations
  - ✓ Other organizations, which are established in accordance with Vietnam regulations, generate incomes from production, goods and service trading



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