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Monthly Newsletter August, 2017



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This e-newsletter facilitated by **Crowe Horwath Vietnam** serves as a knowledge sharing tool with the main purpose of information exchange and dissemination. This e-newsletter benefits the readers by keeping you up-to-date on the latest issues, which are your matters of concern.

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Value Added Tax

Compensation for damaged goods

On 1st August 2017, Tax Department of Binh Duong Province issued Official Letter No. 12792 /CT-TT&HT as guidance on compensation for damaged goods.

- Where goods are returned for destruction, and the customer returns the goods to the company for destruction; it must be accompanied by invoice for returned goods, VAT must be declared and paid as per regulation.
- Where customer does not return the damaged goods (with goods destruction minutes) and the company prepares minutes of monetary compensation; the company must prepare cash disbursement, and the customer must prepare cash receipt upon transfer of monetary compensation. Based on economic contract, the company can claim tax deduction for payment of fines, monetary compensation for breach of contract as per current regulation.

Corporate Income Tax

Official letter No. 12799/CT-TT&HT on CIT & accounting for depreciation and asset liquidation in the event of temporary suspension of production.

On 02 August 2017, Binh Duong Tax Department issued Official Letter No. 12799/CT-TT&HT on CIT & accounting for depreciation and asset liquidation in the event of temporary suspension of production:

- Where the company holds fixed assets, and suspends production due to inefficiency. In other words, fixed assets are not used for carrying business purpose, nor in scheduled downtime for repairs, maintenance. Therefore, the company does not account for depreciation on these fixed assets.
- Where inventory and finished goods need liquidating as a result of production suspension, the company is required to generate VAT invoice on the sales, and declare VAT as per stipulated. Upon tax inspection, if declared transfer price is deemed unreasonable, tax department may assess tax as stipulated in Article 25, Circular No. 156/2013/TT-BTC dated 06/11/2013 issued by Finance Ministry. VAT input in relation to the above sales shall be deductible (against VAT output) if satisfying conditions as per Clause 10, Article 1, Circular No. 26/2015/TT-BTC dated 27/02/2015 issued by Finance Ministry. The corresponding income shall also be accounted as other income for CIT purpose as stipulated in Article 7, Circular No. 78/2014/TT-BTC.
- Where the company suspends production and has assets liquidated, depreciation on these assets shall not be accounted during liquidation period. Transfer price should also be consistent with arm's length principle.

Guidance on work permit issuance to foreigners via the Internet

On 15 August 2017, MOLISA issued Circular 23/2017/TT-BLĐTBXH as guidance on work permit issuance to foreigners working in Vietnam via the internet.

- Employer shall complete information declaration form and submit work permit application via electronic portal at least 7 working days before proposed commencement date of work.
- Within 5 working days from dossier receipt date, the body issuing work permit shall give result to employer via email. Where declaration form and dossier of work permit application are not in compliance with current law, the body issuing work permit shall provide clear explanation to employer via email.
- Upon receipt of law compliant and sufficient dossier, employer shall submit original ones to the body issuing work permit for checking, comparison and storage as per regulation.
- Within maximum 8 working hours after receipt of the original dossier, the body issuing work permit must return results to employer.
- Employer can select one option below to submit a report explaining the demand for employment; dossier of work permit issuance or re-issuance; dossier of work permit exemption.
 - i. Submitting the dossier directly or by post to the body issuing work permit;
 - ii. Submitting the dossier via electronic portal.

Note: General news in this e-newsletter is provided without liability. The content of the e-newsletter only includes general information on issues of concern and, therefore, does not constitute professional advice. Documents in the form of official letters are for reference only and cannot apply to all cases. Please contact us for more information.

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