

Monthly Newsletter

February, 2017





Contact Us

Our e-newsletters are **free**. You can access the e-newsletter through either website or subscribe to our customer care service

www.crowehorwath.vn

Subscribe

February, 2017

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.

Table of content

Pinnacle News	2
Crowe Horwath International ranked as the eighth largest professional services network	2
Chartered Accountants Australia and New Zealand - Authorized training employer	4
Notable contents of the new Law on Accounting effective from 1 January 2017	5
Value Added Tax	8
Declaring VAT deduction for missed invoices	8
Usage of invoice when export processing enterprise liquidates fixed assets in the domestic market	9
VAT on transportation services rendered to Enterprise Processing Export	10
VAT refund in the transition period of Law No. 106/2016/QH13	11
Other	12
List of conditional business lines	12

Crowe Horwath International ranked as the eighth largest professional services network

Crowe Horwath International is now ranked as the eighth largest global professional services network, as reported by the International Accounting Bulletin's (IAB) 2016 World Survey results.

Moving up a position in global ranking has been a hard-won victory for Crowe Horwath. So how did we do it? Below are just a few achievements that propelled our network to a year of peak performance:

- Our calendar year ending December 2016 was marked by a year of growth across all of our regions and lines of business. Asia Pacific and Latin America grew in the double-digits. This is supported by North America's strong growth of eight percent. Middle East and Europe continued to experience modest growth, despite operating in a challenging economic environment.
- All of our lines of business grew five percent or greater with Audit & Accounting growing five percent, Tax growing nine percent and Advisory growing six percent. Further, while many networks are experiencing a contracting of their audit and accounting business, our practice grew demonstrating Crowe Horwath's commitment and ability to deliver cost effective, quality compliance services.
- The strength of our network, global brand and unwavering commitment to each other was evidenced in the volume and number of firms participating in cross-border client proposals and engagements.
- Eighteen new member firms were added in 2016, bringing our global reach to 129 countries across 764 offices.

In addition, Crowe Horwath International in Asian Pacific markets is ranked 6th by relatively high growth rate 13%. Particularly in Vietnam market, Crowe Horwath Vietnam is honored to be ranked 6th largest global professional services network with the growth rate is 48%.

For more information, read our Achieving New Heights infographic below:

Crowe Horwath International ranked as the eighth largest professional services network



Chartered Accountants Australia and New Zealand - Authorized training employer

Crowe Horwath Vietnam Audit Co., Ltd (Crowe Horwath Vietnam) has just become authorized training employer (ATE) of Chartered Accountants Australia and New Zealand (CAANZ). By earning ATE status, Crowe Horwath Vietnam will benefit to staff regarding human resource development, particularly: work experience of employees will be sufficient for the international certificate (ex: the Association of Chartered Certified Accountants- ACCA).

Besides, the approval from CAANZ (and also from ACCA in year 2013 & CPA Australia in year 2013) as an ATE also demonstrates a commitment that Crowe Horwath Vietnam is satisfied to international standards of high-quality service. This raises Crowe Horwath Vietnam as a prestigious brand, increase competitiveness, especially in the recruitment, training, and development of high-quality human resources.

CAANZ was one of three major legally recognized Professional Accountancy bodies in Australia (the others being CPA Australia and IPA). It is a founding member of the Global Accounting Alliance (GAA). In addition, CAANZ is also a strategic alliance with ACCA. This alliance opens a range of opportunities, lead to efficiency and better support the CAANZ's members.

Connected with CAANZ, Crowe Horwath Vietnam can improve the competitive capacity and global integration by improving the quality of human resources and will be recognized at the international level. Especially, the firm will be able to join directly with the ATE network and CAANZ members.



Notable contents of the new Law on Accounting effective from 1 January 2017

The Law on Accounting was first enacted on 2003, replacing the Ordinance on Accounting and Statistics and made significant impact to uniformly manage the accounting, ensuring that accounting be a tool for managing and supervising closely and efficiently all economic and financial activities, supplying information in a complete, truthful, timely, public and transparent manners, thereby meeting the organization, management and administration requirements of State agencies, enterprises, organizations and individuals.

With such a same objective, the Law on Accounting 2015 has been issued, replacing the Law on Accounting 2003 and has some updated points to be in accordance with the practices of accounting. We would like to summarize notable contents of Law on Accounting 2015 as below:

Accounting principles

- Values of assets and liabilities must be recorded according to their original prices. After being initially recorded, regarding certain types of assets and liabilities whose values fluctuate according to market prices and ***can be reliably re-determined, these assets and liabilities can be recorded according to reasonable values at the end of the financial statement period.*** (Previously, Law on Accounting 2003 did not regulate the reasonable values).

Evaluation and recording according to reasonable value

- Assets and liabilities to be evaluated and recorded according to their reasonable values at the end of the financial statement period include:
 - i. Financial instruments required by accounting standards to be recorded and re-evaluated according to their reasonable values;
 - ii. Accounts derived from foreign currencies at actual exchange rates;
 - iii. Other assets and liabilities whose values regularly fluctuate and required by accounting standards to be re-evaluated according to their reasonable values.

- Re-evaluation of assets and liabilities according to their reasonable values must be well founded. If the values cannot be reliably determined, assets and liabilities shall be recorded at their original prices;
- The Ministry of Finance shall regulate assets and liabilities to be recorded and re-evaluated according to reasonable values, accounting method for recording and re-evaluating according to reasonable values.

Prohibited acts

- Bribing, threatening, repressing, forcing accountants to do accounting works against this Law;
- Establishing two or more accounting book systems or providing, publishing financial statements that contain inconsistent data in the same accounting period.

Electronic records

- Electronic records must ensure security and integrity of data and information being used and stored, be managed and inspected to avoid illegal access, duplication, or piracy. Electronic records are managed as if accounting documents in original forms when they are created, sent, or received, provided there are suitable devices for using them;
- When a physical record is converted into an electronic one and vice versa, the electronic may be used for making the economic/financial transaction; the physical record is only for retention, not for making transactions or payments.

Signing accounting records

- Accounting records must be signed with indelible ink (Previously, Law on Accounting 2003 only regulate that accounting records must be signed by pen).
- Signatures on electronic records are as valid as signatures on physical records (Previously, Law on Accounting 2003 did not regulate this point).

Audit of financial statements

- Financial statements of accounting units that are, by law, required to be audited must be audited before they are submitted to competent authorities and published;

- Audited accounting units shall comply with regulations of law on audit;
- Audited financial statements of accounting units must be enclosed with audit reports when being submitted to competent authorities.

Internal control and audit

- Internal control means establishment and implementation of internal mechanism, policies, procedures, and regulations conformable with law meant to prevent, discover, and deal with the risks and meet the set requirements;
- Each accounting unit must establish an internal control system to meet the following requirements:
 - i. Its assets are protected from improper and inefficient use;
 - ii. The transactions are approved intra vires and fully recorded as the basis for making and presenting truthful and reasonable financial statements.
- Internal audit means inspection, assessment, and supervision of the completeness, appropriateness, and effectiveness of internal control;
- Objectives of internal audit:
 - i. Inspect the compatibility, effectiveness, and efficiency of the internal control system;
 - ii. Inspect and certify the quality, reliability of economic and financial information of the financial statement and administrative accounting report before they are submitted;
 - iii. Inspect the adherence to the rules for operation, management, observance of law, regulations on finance, accounting, policies, resolutions, and decisions of the heads of the accounting unit;
 - iv. Discover weaknesses in the management system; propose solutions for improvement of the management system of the accounting unit.

Law on Accounting 2015 shall come into effect since 1 January 2017.

Declaring VAT deduction for missed invoices

On 10 Jan 2017, General Department of Taxation has issued Official Letter No. 92/TCT-KK regarding declaring VAT deduction for missed invoices. Accordingly:

- Taxpayers must provide accurate and truthful information in the tax form, submit all documents specified in the tax declaration to tax authorities;
- If the taxpayer finds that the tax declaration submitted to the tax authority is incorrect after the deadline for submitting the tax declaration, the taxpayer may make adjust the tax declaration. The adjusted tax declaration may be submitted to the tax authority on any working days, regardless of the deadline for submitting the next tax declaration, **but before the tax authority or competent authority announces the decision on tax inspection;**
- When the tax authority or a competent authority **makes a conclusion or a decision on post-inspection actions**, if the taxpayer finds that the tax declaration that was submitted and inspected is still incorrect, the taxpayer may make adjustments; **the actions shall depend on the regulations, the objective and subjective reasons of the errors that need adjusting.**

Value Added Tax

Usage of invoice when export processing enterprise liquidates fixed assets in the domestic market

On 11 Jan 2017, General Department of Taxation has issued Official Letter No. 302/TCT-TT&HT regarding usage of invoice when export processing enterprise liquidates fixed assets in the domestic market.

Accordingly, in case that the export processing enterprise ("EPE") needs to liquidate used fixed assets in the domestic market, EPE may choose one of two options:

- EPE shall contact local tax authority to be granted 01 separate VAT invoice (as regulated in Article 13 of Circular No. 39/2014/TT-BTC by the Ministry of Finance). EPE shall use that VAT invoice for sale of machinery, equipment and means of transportation, defined by (=) amount of VAT in separate VAT invoice of liquidation of machinery, equipment and means of transportation subtracting (-) amount of VAT paid at import stage when registering the declaration of repurposing. EPE must complete all three copies of invoice at tax authority and make full payment of tax before receiving the separate VAT invoice; or
- EPE shall perform procedures of on-spot import and export and use commercial invoice according to guidance of Official Letter No. 16809/BTC-TCT dated 25 Nov 2016 by the Ministry of Finance. In this case, EPE must send the Customs Branch a written notification of the reasons for liquidation, method of liquidation, names and quantity of goods to be liquidated and open a declaration accordingly. The domestic enterprise shall handle import procedures and make payment of tax as regulation.

Value Added Tax

VAT on transportation services rendered to Enterprise Processing Export

On 16 January 2017, Ministry of Finance issued Official letter 610/BTC-CST as guidance for Value Added Tax (VAT) on transportation services rendered to Enterprise Processing Export (EPE).

Pursuant to Clause 3 Article 9 of Circular No. 219/2013/TT-BTC dated 31/12/2013 by the Ministry of Finance (which was modified and supplemented in Circular No. 26/2015/TT-BTC dated 27/02/2015, Circular No. 130/2016/TT-BTC dated 12/8/2016), 0% tax rate is not applicable where: "Services that business entities provide to individuals, organizations operating in free trade zones, such as: lease of houses, conference rooms, offices, hotels, warehouses; **worker transportation service**; food and beverage service (except for industrial catering service, food and beverage service rendered in free trade zones)".

Minister of Finance accordingly instructs that where a transportation enterprise enters into transportation contract with Enterprise Processing Export, except for worker transportation service, the sale is subject to 0% VAT upon satisfaction of contract and document requirements stipulated at Point b Clause 2 Article 9 Circular No. 219/2013/TT-BTC dated 31/12/2013 by the Ministry of Finance.

Value Added Tax

VAT refund in the transition period of Law No. 106/2016/QH13

On 06 February 2017, General Department of Taxation issued Official Letter No. 373/TCT-KK as guideline for VAT refund where taxpayer has VAT input that has not been fully deducted for 12 consecutive months in the transition period of Law No. 106/2016/QH13 and submits VAT refund declaration in tax profile. Accordingly:

- Business entity will get reimbursement for VAT in accordance with the law if VAT input has not been fully deducted and had been incurred before tax period ended July 2016 (for monthly declaration) or quarter 3 2016 (for quarterly declaration); and business entity qualifies for VAT refund as per guidelines at Clause 1 Article 18 Circular No. 219/2013/TT-BTC dated 31/12/2013 by Minister of Finance. Tax Department will adopt “inspection first, refund later” approach for all VAT refund declarations that are submitted by high risk taxpayers in accordance with the law.
- Regarding tax period ended June 2016 (for monthly declaration) or quarter 2 2016 (for quarterly declaration), business entity will not get VAT refund where the entity do not submit VAT refund declaration, and at the same time, makes deduction to VAT payable in the tax period ended July 2016 (for monthly declaration) or quarter 3 2016 (for quarterly declaration). Business entity can proceed with VAT netting in the upcoming periods.
- In case taxpayer has made amendment not in accordance with Official Letter No. 4943/TCT-KK dated 23/11/2015, they can get VAT refund if there is no falsification of outstanding VAT deductible and proposed VAT refund (taxpayer fills in VAT deductible carried forward or makes adjustment to VAT incurred in the period instead of increasing/ decreasing adjustment on VAT deductible carried forward); and the taxpayer fully complies with regulations on VAT deduction, refund as per VAT law and tax administration law. Besides, taxpayer will be penalized for making false statement.

List of conditional business lines

On 22 November 2016, The National Assembly issued Law No. 03/2016.QH14 on amendment and supplement to article 6 and annex 4 on the list of conditional business lines stipulated in the Law on Investment. Accordingly:

- Trading in firecrackers is supplemented to the list of “Banned business lines”;
- Replacing the Annex 4 on the List of conditional business lines (attached to this Law);
- The following conditional business lines take effect from July 01, 2017:
 - Sale of equipment and camouflage software used for sound and video recording and positioning;
 - Manufacture, assembly and import of automobiles.

This Law enters into force from 01 January 2017.

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.

Hanoi Office

Address: Suite 1205, 12th Floor, IPH Office Tower
241 Xuan Thuy, Cau Giay District, Hanoi, Vietnam

Tel: +(84-4) 2220 8334 / 37

Fax: +(84-4) 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: +(84-8) 3827 8516 / 19

Fax: +(84-8) 3827 8517

Newsletter in-charge

Mr. Phan Doan Khanh

Mobile: +(84) 972 487 048

