

Monthly Newsletter

July, 2017



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Value Added Tax

Exchange rate for determining assessable income for FCT purpose

On 03 July 2017, General Taxation Department issued Official Letter No. 2935/TCT-CS as guidance about Exchange rate for determining assessable income for FCT purpose. GTD's opinion is as below:

1. As to determining exchange rate for foreign contractor's VAT, CIT:

Before 01/01/2015:

In order to determine assessable income for VAT & CIT purpose, foreign contractors who earns revenue in foreign currency are required convert those to Vietnamese Dong using average transaction rate on the inter-bank currency market announced by State Bank of Vietnam at time of receipt.

From 01/01/2015 onwards:

Where foreign contractors have account opened at Commercial Banks in Vietnam: revenue in foreign currency shall be converted into Vietnamese Dong using buying exchange rate of that commercial bank at time of receipt.

Where foreign contractors don't have any account opened at Commercial Banks in Vietnam:

- For the period from 01/01/2015 to 03/01/2016: Revenue in foreign currency is converted into Vietnamese Dong using average transaction rate on the inter-bank currency market announced by State Bank of Vietnam at time of receipt.
- From 04/01/2016 onwards: Revenue in foreign currency is converted into Vietnamese Dong using USD/VND central rate announced by GTD at time of receipt.

2. Generating VAT invoices:

Foreign contractors are required to generate VAT invoices. Foreign currency/VND exchange rate on the invoice is the one determined at the time generating VAT invoices, not the one stipulated in contract.

Personal Income Tax

Converting after-tax income to before-tax income for PIT purpose

On 04 July 2017, GTD issued Official Letter No. 2943/TCT-TNCN as guidance on converting after-tax income to before-tax income for PIT purpose.

Where an individual's income is after-tax and that individual must pay compulsory insurance, conversion of after-tax income to before-tax income is worked out as below:

- Before 01/07/2013, after-tax income conversion followed Item 2.1.6, Clause 2, Section II, Part A Circular 84/2008/TT-BTC dated 30/9/2008 from Finance Ministry and other official letters from GTD: official letter 1578/TCT-TNCN dated 28/4/2009; official letter 3565/TCT-TNCN dated 14/9/2010 and official letter 336/TCT-TNCN dated 24/01/2014. Accordingly, compulsory insurance is not deductible when determining before-tax income.
- As the formula for converting after-tax income to before-tax income in the period prior to 01 July 2013 under Circular 84/2008/TT-BTC is not scientific, Finance Ministry issued amendments and supplements at Circular 111/2013/TT-BTC dated 15/8/2013. In specific, from 01/07/2013 onwards, conversion of after-tax income has been worked out following Point a, Clause 4, Article 7 of Circular 111/2013/TT-BTC. Accordingly, compulsory insurance is deductible when determining before-tax income.

Law on Assistance for small-sized and medium-sized enterprises

On June 12, 2017, Law on Assistance for small-sized and medium-sized enterprises was ratified by the Congress, and came into force since January 01, 2018

Whereby, small and medium-sized enterprises include very small enterprises, small enterprises and medium enterprises, which have the annually average number of employees joining social insurance does not exceed 200 people and they meet at least one out of these two criteria below:

- Their size of total capital does not exceed 100 billion VND;
- Their sales from the preceding year does not exceed 300 billion VND.

The supporting contents for small-sized and medium-sized enterprises are divided into 2 types, which are general content and supporting small-sized and medium-sized enterprises to transfer from business households, creative start-ups, to join industrial cluster, value strings.

Regarding the general content, including:

- Supporting in approaching credits: whereby, in each period, the Government determines the policy to support the small-sized and medium-sized enterprises in approaching credits and increasing outstanding loan balance; to encourage the establishment of an independent consulting organization for credit rating of small-sized and medium-sized enterprises.
- The small-sized and medium-sized enterprises which have been credit-guarantee funded by Credit-guarantee Fund for small-sized and medium-sized enterprises; at the same time, the Credit-guarantee Fund must not reject the small-sized and medium-sized enterprises that meet the criteria for credit-guarantee funding.
- Supporting in tax, accounting:
 - Small-sized and medium-sized enterprises are allowed to apply the enterprise income tax rate in defined term which is lower than the general tax rate according to the regulations on enterprise income tax;

Other

- Very small-sized enterprises are allowed to apply simplified tax and accounting administrative procedures according to the regulations on tax, accounting.
- Supporting in expanding production grounds: the small-sized and medium-sized enterprises (except for the small-sized and medium-sized enterprises which are foreign-invested or government-invested) are supported in ground leasing price in industrial parks, high-technology areas, industrial complexes, with the maximum supporting period is 5 years since the date on signed leasing contract.
- Supporting in expanding market: the enterprises, organizations investing, operating in product distribution which have at least 80% of small-sized and medium-sized enterprises joining in distributing product manufactured in Vietnam are supported as below:
 - They are under exemption and reduction for land lease fee, land using fee, non-agricultural land using tax according to regulations;
 - They are under exemption and reduction for enterprise income tax in defined term according to regulations on enterprise income tax.
- Supporting in information, consulting and legal issues: the small-sized and medium-sized enterprises are under consulting fee exemption or reduction when they use consulting services from consultant network set up by Ministries or Ministerial-level organizations.
- Supporting in human resources development: the small-sized and medium-sized enterprises are under exemption, reduction for cost of joining state-funded training courses on start-up and business administration, vocational training courses for labor in small-sized and medium-sized enterprises.
- Besides, small-sized and medium-sized enterprises are also supported in other contents of such Law as below:
 - Supported in transferring from business households;
 - Supported in creatively start-up;
 - Supported in investing on small-sized and medium-sized start-ups;
 - Supported in joining industrial cluster, value strings.

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