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# Monthly Newsletter May, 2017





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## May, 2017

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# Corporate Income Tax

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## Tax incentives for trade activities and extending operation duration

On April 25, 2017, General Department of Taxation has issued Official Letter 1627/TCT-CS about corporate income tax incentives with content as follow:

1. Tax incentives for newly set up enterprises in Industrial Park (IP)
  - If the investment projects of the Enterprise meet the criteria of new investment projects in Industrial Park (excluding IP in geographical areas with advantageous socio-economic conditions), then incomes generated from such investment projects shall be entitled to corporate income tax incentives following actual requirements. In case the operation duration expires according to the Initial Investment Registration Certificate, and the Enterprise extends the duration of their investment projects, then such projects of the Enterprise shall not be eligible for income tax incentives in the extended period.
  - If operation duration of the Enterprise is only from 3 to 5 years due to difficulty in lease term of location for operation, then Enterprise shall express opinions to licensing authorities to amend their Certificate. If licensing is following regulations then the Enterprise shall declare and pay tax according to laws.
2. Tax incentives for trade activities in Industrial Park
  - If the Enterprise has incomes generated from trade activities within Industrial Park, then such incomes shall be eligible for corporate income tax incentives; if the Enterprise has incomes generated from trade activities outside Industrial Park (outside the geographical areas eligible for investment incentives), then such incomes shall not be eligible for corporate income tax incentives.

# Value Added Tax

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## Policies of value added tax for goods, services purchased under a deferred payment plan

On April 25, 2017, General Department of Taxation has issued Official Letter No.1636/TCT-KK regarding policies of value added tax for goods, services purchased under a deferred payment plan. Accordingly:

Pursuant to Clause 10, Article 1, Circular 26/2015/TT-BTC dated February 27, 2015 of the Ministry of Finance (Circular providing guidelines for value-added tax and tax administration in the Government's Decree No. 12/2015/NĐ-CP dated February 12, 2015 on guidelines for the Law on amendments to laws, decrees on taxations, and amendments to Circular No. 39/2014/TT-BTC dated March 31, 2014 of the Ministry of Finance on invoices for goods sale and service provision);

General Department of Taxation has stated:

- In case the Enterprise purchase goods under a deferred payment plan agreed in the contract that cost VND 20 million or more and when it's due date, the seller has issued invoices, declared and paid output VAT but the buyer has not yet made payment, then input invoices that has been declared are still eligible for deduction of VAT.
- In case the buyer carried out payment but there is no bank payment voucher (payment in cash) then input invoices that has been declared is not eligible for deduction of input VAT. The Enterprise shall declare a reduction of deducted input VAT on the value of goods, services without bank payment voucher in the tax period during which the cash payment is made.

## Foreign investors are allowed to apply for investment registration and enterprise registration following cooperation mechanism

On April 18, 2017, the Ministry of Planning and Investment has enacted Circular 02/2017/TT-BKHĐT guiding the mechanism for cooperation in processing of applications for investment registration and enterprise registration submitted by foreign investors. This Circular comes into force since June 15, 2017, with the following content:

1. Cooperation mechanism and cases in which the cooperation is applied:

Cooperation mechanism is a mechanism for cooperation between Investment registration authorities and Business registration authorities in processing applications for investment registration and enterprise registration submitted by foreign investors.

Cases in which the cooperation mechanism is applied:

A foreign investor invests in establishment of a business organisation;

- A foreign investor makes investment by contributing capital or purchasing shares or stakes;
- A foreign investor changes both enterprise registration information and investment registration information.

2. The investor is entitled to decide whether to apply for investment registration and business registration following cooperation mechanism or to follow the separate procedures.

3. The investor shall submit 01 copy when apply for investment registration and business registration if there is duplication of these documents below:

- The passport or personal identification papers with the same value as passport if the investor is individual;
- The Decision on establishment or the Enterprise Registration Certificate or papers with the same value as these documents if the investor is an organisation;
- The document authorising another entity to follow procedures for investment registration and/or enterprise registration.

## Supplementing list of high technologies prioritized for development

On April 28, 2017, The Prime Minister has enacted Decision No. 13/2017/QĐ-TTg on amending, supplementing List of high technologies prioritized for development investment and List of hi-tech products encouraged for development that were enclosed with Decision No. 66/2014/QĐ-TTg enacted on November 25, 2014 by the Prime Minister.

There are 4 high technologies supplemented into List of high technologies prioritized for development investment, including:

1. IoT (Internet of Things) technology;
2. Virtual Reality technology and Augmented Reality technology;
3. Cognitive radio technology;
4. 3D printing technology.

And 16 hi-tech products supplemented into List of hi-tech products encouraged for development, including:

1. Modules, equipment, software, IoT integration solutions;
2. Software, equipment, solution, virtualization service and cloud computing;
3. Software, equipment, solution, services for e-government, e-business, e-commerce, e-learning, electronic advertising;
4. Software, equipment, solution, virtual reality services, augmented reality services;
5. Software, equipment, solution for cognitive radio;
6. Software, equipment, solution, automated software testing services;
7. IT consulting and design services;
8. IT system integration services;
9. IT system management services;
10. IT system leasing services;
11. Big Data processing, analysing, exploiting services;

# Other

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12. Electronic BPO, KPO, ITO services;
13. E-Signature verification service;
14. Digital content creation services;
15. Security assessment, security audit, network security, information security services;
16. Software, equipment, solutions, 3D printing services.

This Decision comes into force since June 15, 2017.

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#### 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

