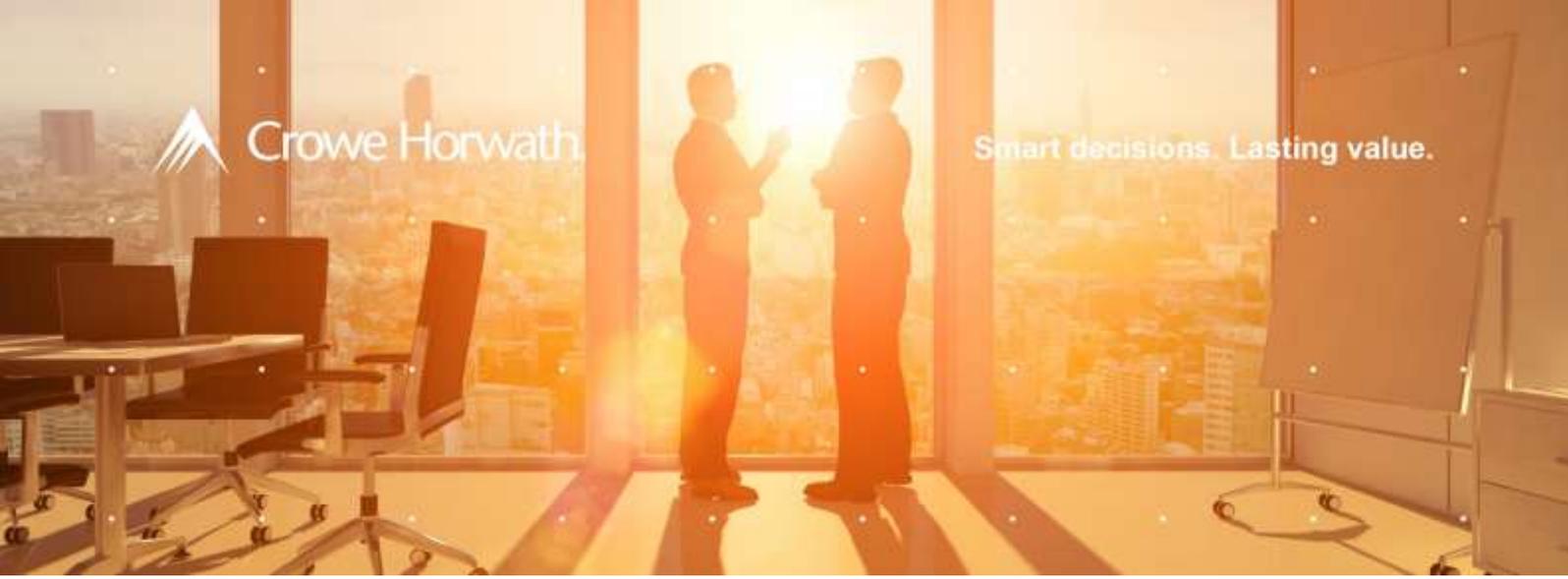


Monthly Newsletter November, 2017





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Corporate Income Tax

Tax treatment for scrap, waste, material surplus under toll manufacturing agreements

On 26th October 2017, MOF issued Official Letter No. 14475/BTC-TCHQ as guidance on tax treatment for domestic sales of scrap, waste, material surplus under toll manufacturing agreements.

- Before 01/09/2016: As for material surplus imported for toll manufacturing purpose, where the surplus makes up less than 3% of total imported materials, Company is not required to carry out Customs procedures upon selling those to domestic market. However, Company has to declare the sales and settle tax obligation to domestic tax authority in compliance with tax law.
- From 01/09/2016 on: As for scrap, waste, material surplus imported for toll manufacturing purpose and makes up less than 3% of total imported materials, domestic sales of these are exempted from import duty. However, Company has to declare the sales and settle tax obligation (if any) to Customs.
- As for scrap, waste, material surplus imported for toll manufacturing purpose and makes up less than 3% of total imported materials, from 01/09/2016 to issuance date of this Official Letter, Company had already declared, and settled tax obligation relating to domestic sales to domestic tax authority, then it's not required to revise lodgment.
- Upon finalisation of usage and management of material, supplies, and components imported for toll manufacturing purpose in compliance with Customs law, Company is responsible for presenting the declaration of scrap, waste, material surplus on Tax department's request; presenting tax receipt to Customs to complete Customs liquidation. In case Company has not fully declared and settled tax obligation then it's required to do so to Customs.

Corporate Income Tax

Tax treatment on business insurance

On 17th November 2017, Binh Duong tax department has issued official letter No. 19335/CT-TT&HT as guidance on CIT & FCT treatment on business insurance.

- Where foreign parent company charges subsidiary companies for business insurance, prorated based on total business insurance that parent company incurs; and this charge is not included in total Management fees born by the Company, then Company can claim tax deduction for CIT purpose as long as all conditions stipulated at Clause 1, Article 4, Circular 96/2015/TT-BTC are satisfied.
- The above fee will be subject to FCT as per current regulation.

2018 regulations on wages and salary

Regional minimum wages

On 7th August 2017, National Wages Council announced 2018 regional minimum wages applicable from 01 January 2018.

- Region I: VND 3,980,000 per month (increase by VND 230,000 in comparison with current floor as stipulated in Decree No. 153/2016/NĐ-CP)
- Region II: VND 3,530,000 per month (increase by VND 210,000 in comparison with current floor as stipulated in Decree No. 153/2016/NĐ-CP)
- Region III: VND 3,090,000 per month (increase by VND 190,000 in comparison with current floor as stipulated in Decree No. 153/2016/NĐ-CP)
- Region IV: VND 2,760,000 per month (increase by VND 180,000 in comparison with current floor as stipulated in Decree No. 153/2016/NĐ-CP)

Basic wages

On 13th November 2017, Resolution on 2018 state budget was passed by the Parliament. Accordingly, from 01 July 2018 basic salary will increase from VND 1,300,000 per month to VND 1,390,000 per month.

Such increase will lead to increase in wages expenditure as well as compulsory Social, Health, Unemployment insurance as wages cap for these insurance increases (maximum 20 times of basic wages for Social, Health insurance; and maximum 20 times of minimum wages for Unemployment insurance). However, in order to apply these new wages, a specific Government Decree is required.

Express reply to implementation of Law on Import Tax and Export Tax

On 20 November 2017, General Department of Customs issued Official Letter No. 7599/TCHQ-TXNK which compiles questions raised by provincial Customs Departments on implementation of Law on Import Tax and Export Tax and other guidance documents. List of areas discussed in this Official Letter includes:

- Anti-dumping tax, anti-subsidy tax, self-defense tax, environment protection tax.
- Tax rate;
- Payment due date, guarantee, deposit for tax obligation;
- Tax exemption on gifts;
- Tax exemption on toll manufacturing contracts;
- Tax exemption on imported materials used for used to produce final goods that are later exported.
- Tax exemption on goods temporarily imported for re-export; or goods temporarily exported for re-import in a certain period.
- Tax exemption on imported goods as fixed assets by entities who are eligible for investment incentives.
- Tax exemption on goods manufactured, processed, recycled, assembled at non-tariff areas;
- Tax exemption on non-commercial goods;
- Tax exemption on goods imported for security and national defense purpose;
- Tax exemption on goods imported/ exported as per international treaty;
- Tax credits;
- List tax exempted goods;
- Dossiers and procedures for tax exemption for customs procedures purpose;
- Treatment on tax overpaid;
- Tax refund;
- On the implementation, processing on the electronic data processing system;
- Other requests.

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