



A. TAX AND ACCOUNTING

Guidelines for VAT Law

On 18th December 2013, The Government issued Decree No. 209/2013/ND-CP providing guidance on VAT Laws. Some notable points include:

- Additional list of non-taxable objects
- Goods delivered and received at a place outside Vietnam are subject to a tax rate of 0%. According to the old regulations, these goods are exempted from VAT declaration.
- Specific stipulations on voluntary registration for VAT deduction method of enterprises with revenue of VND 1 billion or less. (This point was mentioned in Newsletter 02 December 2013)
- Defining exported goods and services as goods and services **sold, provided** to organizations, individuals outside Vietnam and **consumed outside Vietnam, in non-tariff zones**; goods and services sold to foreigners as prescribed.
- Social house is taxed at a rate of 5%.
- VAT of invoice worth VND 20 million or more shall not be declared and deducted for CIT calculation purpose if the invoice is not paid via bank.
- If the company produces both taxable and tax-exempted goods; depreciation of fixed assets is deductible in proportion to revenue from taxable goods according to the company's production plan and shall be adjusted after 3 years. The old regulations allow full deduction.
- Companies are allowed to request for tax refund if there is a debit balance of deductible input VAT after at least 12 months or 4 consecutive quarters. Other special considerations are stipulated in the Decree. The Decree No. 209/2013/ND-CP is effective on 01st January 2014 and replaces Decree No. 123/2008/N -CP dated 08/12/2008 and Decree No. 121/2011/ND-CP dated 27th December 2011.

Guidelines for the new CIT Law

On 26th December 2013, The Government issued Decree No. 218/2013/ND-CP providing guidance on the new CIT Law effective from 2014. Some notable points are:

- Amendment to other income: According to the old regulations, foreign exchange gains related to the main business of the company shall be accounted for as revenue; foreign exchange gains not related to the main business of the company shall be accounted for as other income. However, according to Decree 218/2013/N -CP both realized and unrealized foreign exchange gains are accounted as other income.
- Amendment to tax incentives for expanded investment projects
- Amendment to deductible expenses:
 - Expenditures directly related to the main business of the company including expenditures for military education and training, training...
 - Expenditure for each invoice worth VND 20 million or more shall not be deductible without evidence of payment via bank.
 - The cap for promotion and marketing expenses is 15% instead of 10% as per old regulations.
- Amendment to non deductible expenses:

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- Input VAT of less-than-9-seat automobile which costs more than VND 1.6 billion.
- Contribution for voluntary pension fund which exceeds VND 1 million/month/person.
- Penalty for tax overdue as per Tax Administration Law.
- Amendment to tax rate:
 - General tax rate is reduced from 25% to 22% (in 2014) and to 20% (in 2006).
 - Tax rate applicable for enterprise with revenue of VND 20 billion or less is 20% (from July 2013).
 - Tax rate for real estate is reduced to 22%.
 - Corporate income tax rate applicable for enterprises which export and import goods on site or under Incoterms (subject to FCT) is 1%.

Decree No. 218/2013/ND-CP is effective on 15th February 2014 and applicable for tax period from 2014 onward, displacing Decree No. 124/2008/ND-CP and Decree No. 92/2013/ND-CP.

Declare and pay business license tax

Business license tax is declared and paid annually as follows:

- Tax payers must make a one-time declaration when they first start the business no later than the last day of the first month of commencement.
- Tax payers who are in business and have already declared, paid business tax shall not submit tax declaration document for the following year if there is no change in the amount of business tax payable.
- If there are changes in the basis to determine the amount of tax payable for the following year, the tax payer shall submit tax declaration document no later than 31th December of the year when the changes happen.

Basis to calculate business license tax:

- For foreign invested companies and private enterprises: the basis to calculate business tax is total investment capital.
- For limited liability companies, joint stock companies, cooperatives: the basis to calculate business tax is charter capital.

Business license tax rate:

Rate	Total registered resources (VND)	Tax amount (VND)
Rate 1	Above 10 billion	3,000,000
Rate 2	From 5 to 10 billion	2,000,000
Rate 3	From 2 to under 5 billion	1,500,000
Rate 4	Less than 2 billion	1,000,000

Deadline to submit tax declaration and pay business license tax is 30th January 2014.

A. INVESTMENT, OTHERS

Guidelines on paying Union Fee

On 21th November 2013, The Government issued Decree No. 191/2013/ND-CP providing guidance on paying union fee and other financial matters of union fund. In which:

- All institutions, organizations, enterprises with or without union shall pay union fee. The contribution rate is 2% of total salary base for Social insurance contribution.
- Institutions, organizations, enterprises pay union fee once every month at the time of paying compulsory insurance for employees.
- Companies produce and provide services shall account for union fee in operation expenses.

The Decree is effective on 10th January 2014.

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