

# VIETNAM BULLETIN

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## Highlights of Vietnam's technical updates in Quarter 2/ 2018

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- ▶ Labour, Wages & Personal Income Tax (PIT);
- ▶ Accounting;
- ▶ Other taxes;
- ▶ Social Securities;
- ▶ Customs;
- ▶ Others.

Please refer to our following edition for further details.

## LABOUR, WAGES & PERSONAL INCOME TAX (PIT)

▶ **Government monthly base salary will increase from VND 1,300,000 to VND 1,390,000 effective 1 July 2018 as per Decree No. 72/2018/ND-CP dated 15 May 2018 is applicable to for public officials, public employees and armed forces' personnel.**

▶ **Individuals must carry out procedures to provide an update to the local tax department when changing their Identity Card or Citizen Card as guided in Official Letter No. 16035/CT-TTHT dated 9 April 2018 by the Hanoi Tax Department.**

Pursuant to the Official Letter, the Hanoi Tax Department reminds tax payers to update their tax registration information to the concerned local tax departments within 10 working days from the date of the newly issued Identity Card or Citizen Card.

In the case the individuals authorise their employer to act on their behalves for tax registration purpose,

the employees have to declare the required information to the employer. The employer shall then be obliged to collect its employees' updated information in regard to the Identity Card or Citizen Card and notify the local tax authorities at least 10 working days prior to the annual finalisation deadline.

Each individual is granted a unique tax code which shall remain unchanged for tax declaration and payment purposes. Accordingly, in case of duplicated tax codes, the latter code must be closed to ensure that each taxpayer is only attached to one tax code.

▶ **Official Letter No. 439/TCT-TNCN dated 31 January 2018 of the General Department of Taxation provides that local Vietnamese enterprises are required to inform the concerned tax authorities of certain information of foreigner individuals assigned by foreign contractor(s) at least 7 days prior to the commencement of their work in Vietnam.**

▶ **Payment of social security contribution to pensioners (retired employees receiving pension from national compulsory retirement scheme) is subject to PIT as per Official Letter No. 29570/CT-TTHT dated 14 May 2018 by the Hanoi Tax Department.**

Prevailing regulations stipulate that retired employees who receive pension are not required to participate in compulsory social insurance (SI), health insurance (HI) and unemployment insurance (UI) upon entering into a labour agreement with an employer. The employer is obliged to pay the employee an amount equivalent to the compulsory SIHIUI contributions and statutory annual leave via monthly payroll instead. This payment is considered taxable employment income for PIT purposes.

▶ **Circular No. 25/2018/TT-BTC (Circular 25) dated on 16 March 2018 by Minister of Finance provides amendments to PIT on income arising from security transferring, effective 1 May 2018.**

Circular 25 provides detailed guidance on taxable income from securities transfer subject to PIT which includes:

- Income from transferring shares, call options on shares, bonds, treasury bills, fund certificates and other securities in accordance with Clause 1, Article 6 of the Law on Securities; and

- Income from transferring shares of individuals working in joint-stock company as per Clause 2, Article 6 of the Law on Securities and Article 120 of the Law on Enterprises.

▶ **Income paid during probation period whilst under a probation contract, and allowances paid post-employment to individuals being resident taxpayers are subject to flat tax rate of 10% for PIT purpose as per Official Letter No. 1559/CT-TTHT dated 28 February 2018 by the Ho Chi Minh City Tax Department.**

▶ **In Official Letter No. 272/CT-TTHT dated 10 January 2018, the Ho Chi Minh City Tax Department provided guidance that for PIT finalisation via employer's tax return purpose, the employer will prepare a list of employees who will authorise the employer for this tax finalisation purpose instead of requesting separate authorisation letters from each individual employee.**

▶ **The Taxpayer's bank is then obliged to reimburse its client the interest arising from late tax payment due to its misconduct as guided in Official Letter No. 659/TCT-DNL dated 27 February 2018 by the General Department of Taxation.**



## ACCOUNTING

▶ **Provisions on administrative violation penalty in the field of accounting and independent audit according to Decree No. 41/2018/ND-CP dated 12 March 2018 (Decree 41).**

Decree 41 which replaces Decree 105/2013/ND-CP and comes into effect from 1 May 2018 provides new regulations on sanctioning of administrative violations in the domain of accounting and independent audit.

Some highlights of Decree 41 are as follows:

- Two additional applicable subjects, including:
  - ✓ Business households, cooperative groups;
  - ✓ Organisations (state agencies; organisations and public service providers using and not using state budget; enterprises, branches, representative offices of foreign entities operating in Vietnam; cooperatives, group of cooperatives; professional organisations and training centres in the fields of accounting and auditing; foreign business entities with income arising from Vietnam).

- Increase of fines for violations in the field of accounting:
  - ✓ A fine ranging from VND 10 million to VND 20 million (previously ranging from VND 5 million to 10 million) imposed on one of the following:
    - Misapplication of regulations on letters and numbers in accounting;
    - Misapplication of regulations on monetary units in accounting; and
    - Misapplication of regulations on accounting periods.
  - ✓ A fine ranging from VND 3 million to VND 5 million imposed on acts of signing accounting records in red or faded ink; using signature carving stamps on accounting records.
  - ✓ A fine ranging from VND 5 million to VND 10 million for acts of signing accounting records with insufficient contents, ultra vires.
  - ✓ Warning or a fine up to VND 30 million imposed on 11 signature-related offences on accounting records; accounting books and financial reports.

## OTHER TAXES

► **Circular No. 25/2018/TT-BTC (Circular 25) dated 16 March 2018 by the Ministry of Finance providing guidelines on Decree 146/2017/ND-CP and amendments to a number of articles of the Circular No. 78/2014/TT-BTC and Circular No. 111/2013/TT-BTC.**

Circular 25 stipulates the conditions for qualified Corporate Income Tax (CIT) deductible expenses regarding depreciation of fixed asset of business entities receiving capital transfer in part or in whole from other business entities.

Circular 25 became effective from 1 May 2018.

► **Guidance on Foreign Contactor Withholding Tax (FCWT) applicable to outwards remittance services by foreign intermediary organisations other than bank as per Official Letter No. 563/TCT-DNL issued by the General Department of Taxation dated 12 February 2018.**

Intermediary organisations in foreign countries which are not banks (intermediary organisations), generating incomes in Vietnam on the basis of contracts to transfer money abroad for customers of banks in Vietnam, are subjected to FCWT. When paying the remittance fee for intermediary organisations, the bank is required to withhold, declare and pay FCWT on behalf of the foreign contractors (VAT at 5%, CIT at 5%) on the revenue collected from the customers.

► **Official Letter No. 2023/TCT-CS dated 25 May 2018 of the General Department of Taxation provides guidance on tax policy on interest expenses.**

If business entities, who are not credit institutions, carry out loan and debt payment transactions not using payment terms of (i) Cheque; (ii) Payment order - bank remittance; and (iii) other non-cash payment in accordance with current regulations, the interest expenses shall be treated as non-deductible for CIT purpose.





## SOCIAL SECURITIES

► **Official Letter No. 893/BHXH-QLT dated 4 May 2018 by Ho Chi Minh City Social Security authority on use of electronic signature in electronic filings.**

According to this Official Letter, enterprises located in Ho Chi Minh City can opt for one of the seven (7) I-VAN suppliers named in the Official Letter or KBHXH software provided by Vietnam Social Security authority to submit electronic filings regarding SIHIUI collection, payment and claim. Of note, the enterprises are required to use its electronic signature confirming the electronic filings to ensure the validity of such documents. Otherwise, the filings lodged shall be considered as invalid and used for reference purpose only.



## CUSTOMS

► **Circular No. 39/2018/TT-BTC (Circular 39) dated 20 April 2018 issued by the Ministry of Finance to amend and supplement a number of articles of Circular No. 38/2015/TT-BTC dated 25 March 2015 on customs procedures; customs inspection and supervision; export tax, import tax and tax administration applied to export and import goods.**

Circular 39, which took effect on 5 June 2018, provides a number of new stipulations on customs dossier and customs declaration.

## OTHERS

► **Decree No. 69/2018/ND-CP dated 15 May 2018 of the Government on detailing a number of articles of the Law on Foreign Trade Management (Decree 69), effective from 15 May 2018.**

Notable points provided under Decree 69 include:

- Provision of Appendix V specifying a list of goods, which must have Certificate of Free Sale (CFS) issued abroad to be allowed to be imported into Vietnam.
- The time limit to issue CFS for exported goods is shortened to three (3) working days upon the submission of the proper dossier.
- Details of conditions and procedures to issue business license to temporary import/re-export.

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