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Highlights of Vietnam's technical updates in July 2019

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- ▶ Foreign Exchange Management.

Please refer to our following edition for further details.

CORPORATE INCOME TAX (CIT)

▶ **Circular No.43/2019/TT-BTC (Circular 43) dated 12 July 2019 by the Ministry of Finance providing guidance of Clause 4, Article 24, Decree No.82/2018/ND-CP on the management of Industrial Zones (IZs) and Economic Zones (EZs), effective from 26 August 2019.**

Accordingly, the expenses for investment in construction, operation or renting condominiums and social infrastructures for the workers working in IZs & EZs in which the enterprises have investment project shall be determined as follows:

- Regarding the fix assets value: This is included into the construction value and depreciation expenses to be treated as deductible upon determining the taxable income for Corporate Income Tax (CIT) purpose in case of satisfying the conditions for fix assets under the regulations by the Ministry of Finance.
- Regarding the remaining expenses: These are included into the deductible expenses for CIT purpose per CIT regulations.

► **Official Letter No. 2722/TCT-CS dated 8 July 2019 by the General Department of Taxation on tax policy and invoice during the period of invoice enforcement.**

Accordingly, during the period of tax debt enforcement via the method of notifying the invalidity of invoices, then:

- The enterprises are allowed to use retail sale invoices as long as there is a written request to use the retail sale invoice to ensure the continuity of their production and business; simultaneously, a written commitment to immediately pay 18% of the revenue stated on those invoices into the state budget must be put in place.
- The enterprise that has generated revenue and declared the relevant CIT but has not issued the invoice to its customer(s) or declared the Value Added Tax shall be penalised for selling without issuing an invoice and subject to other sanctions on administrative violations together with remedy measures.
- During the period of issuing the Enforcement Decision by the tax authority, the taxpayers must declare tax as prescribed by the regulations.

PERSONAL INCOME TAX (PIT)



► **Circular No. 42/2019/TT-BTC dated 12 July 2019 by the Ministry of Finance repealing Circular No.128/2014 /TT-BTC dated 5 September 2014 on Personal Income Tax (PIT) incentives for the individuals working in economic zones.**

Accordingly, the individuals working in the economic zones shall no longer be entitled to PIT reduction of 50% from 26 August 2019 onwards.

FOREIGN EXCHANGE MANAGEMENT

► Circular No. 06/2019/TT-NHNN dated 26 June 2019 by the State Bank of Vietnam providing guidance on foreign exchange management regarding foreign direct investments in Vietnam, effective from 6 September 2019.

Accordingly, foreign and Vietnamese investors in foreign-invested enterprises in Vietnam are allowed to contribute the investment capital in foreign currencies or Vietnamese Dong (VND) in accordance with the capital level mentioned on:

- Investment registration certificate;
- Establishment and operation license under specific laws (for foreign-invested enterprises that are established and operated under such specific laws);
- Notice of satisfying the requirements for capital contribution, share purchase or redemption of the paid-up capital of the foreign investors; and
- Public Private Partnership (PPP) contracts signed with the competent state authority and the other documents evidencing the foreign investor's capital contribution in compliance with the prevailing regulations.



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