

# VIETNAM BULLETIN

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Highlights of Vietnam's technical updates in March & April 2021

TAX

PERSONAL INCOME TAX ("PIT")

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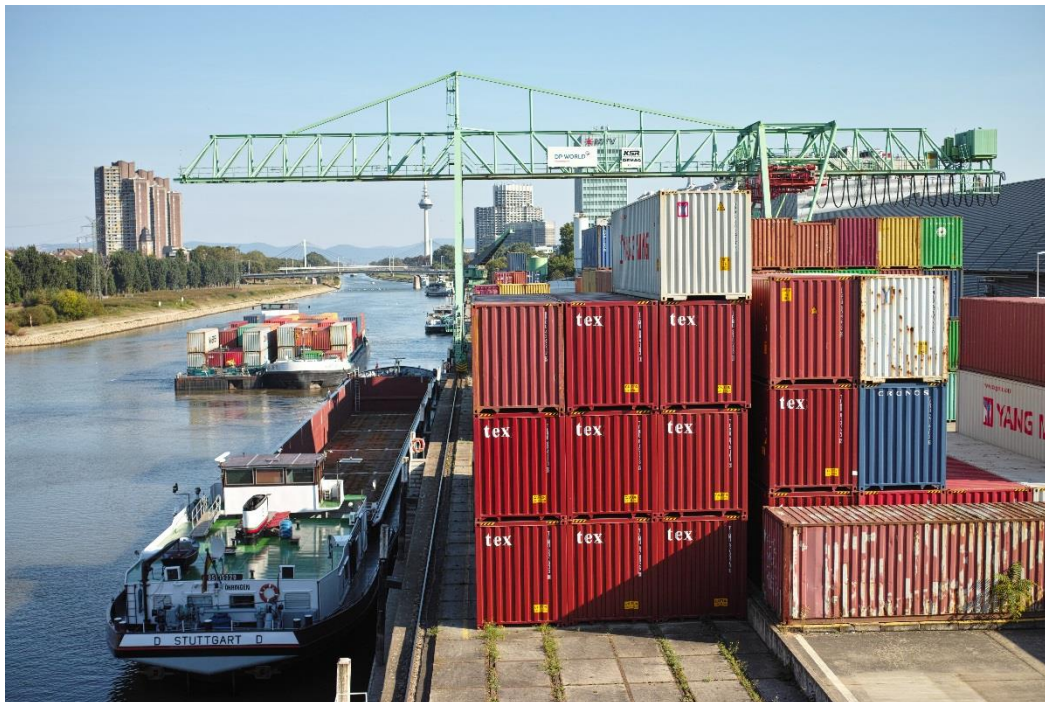
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Please refer to our following edition for further details.

## TAX

### ▶ CORPORATE TAX

#### 1. Tax declaration and management for organizations/ enterprises

- **Electronic transaction in tax sector (e-transaction):** Circular No.19/2021/TT-BTC (Circular 19) dated 18 March 2021 by the Ministry of Finance (MOF) providing guidance on e-transactions in the tax field, effective from 3 May 2021, and Official Letter No.1194/TCT-KK dated 20 April 2021 by the General Department of Taxation (GDT) introducing new contents of Circular 19.

Some notable points are as follows:

- ✓ Taxpayers can conduct e-transactions via the online portal of the GDT or other methods connected to the online portal of the GDT, e.g. online portal of the national public service, online portal of MoF or other competent authorities, T-VAN services providers;
- ✓ Taxpayers can make e-transactions 24/7, including holidays, public holidays and Tet holidays. The electronic tax dossier is considered as successfully submitted in the day if it is digitally signed and submitted within 24 hrs of the day (from 00:00:00 AM to

23:59:59 PM of the day). For electronic tax declaration with the enclosed documents to be compulsorily submitted either directly or by post, the "submission date" will be the date of submitting sufficient documents;

✓ The email address used for e-transaction must be the one used for tax or business registration.

• **Declaration of Corporate Income Tax (CIT) for branches changing its accounting mode from independent to dependent:**

The Official Letter No. 6268/CTHN-TTHT dated 1 March 2021 by the Hanoi Tax Department (HNTD) regarding CIT declaration of branches provides guidance that for a branch changing its accounting mode from independent to dependent, it only needs to change its tax registration information and is not required to re-register the tax code. (In the previous Official letter No. 95835/CT-TTHT dated 2 November 2020, the HNTD instructed that a branch must close the old tax code and re-register a new one).

• **Tax payment extension:** Decree No. 52/2021/ND-CP (Decree 52) dated 19 April 2021 by the Government on the extension of deadline for payment of value added tax (VAT), CIT, personal income tax (PIT) and land rental fee in the year 2021, effective from 19 April 2021, and the Official Telegram No. 05/CĐ-TCT (OT 05) dated 20 April 2021 by the GDT regarding the implementation of Decree 52.

Accordingly, deadlines of tax payments in year 2021 are extended as follows:

✓ For the enterprises:

- VAT:

- 5-month extension for VAT payables corresponding to March 2021 to June 2021, Quarter 1 and Quarter 2 of 2021;
- 4-month extension for VAT payables corresponding to July 2021; and
- 3-month extension for VAT payables corresponding to August 2021.

- CIT: 3-month extension for 2021 Quarter 1 and Quarter 2 provisional CIT payables.

✓ For business households and individuals, the deadline for VAT and PIT payables is 31 December 2021.

✓ For Land rental fee, there is an extension of 6 months from 31 May 2021 for land rental of the first period of 2021.

According to OT 05, the form requesting tax payment extension is submitted one time for all the tax periods of the eligible taxes together with the tax return filing no later than 30 July 2021.

• **Official Letter No. 833/TCT-DNNCN dated 25 March 2021 of the GDT on tax administration for "mutant orchid" trading transactions.**

✓ For transactions related to organisations, income derived from "mutant orchids" shall be subject to CIT except for CIT exemption in accordance with Point 1, Article 4 of Law on CIT. The VAT implications are as follows:

- For enterprises or organisations directly growing and selling mutant orchids: not subject to VAT.

- For enterprises or cooperatives trading mutant orchids, if:

- Paying VAT under the deduction method: (i) selling mutant orchids to enterprises or cooperatives: not required to declare VAT; (ii) selling mutant orchids to households, business individuals and other organisations: declare and pay 5% VAT.
- Paying VAT under direct method: declare and pay VAT of 1% on revenue.

- Transactions related to households and individuals:

- Business households and individuals being the seller: VAT of 1% and PIT of 0.5%.
- Households and individuals directly growing mutant orchids: PIT exemption and not subject to VAT.

• **Official Letter No. 967/TCT-CS dated 5 April 2021 of the GDT on CIT reduction under Resolution No. 116/2020/QH14.**

Enterprises with total revenue in 2020 not exceeding VND 200 billion (including the revenue of the branches) are entitled to a 30% reduction in CIT payable.

## 2. CIT - Deductible expenses

• **Official Letter No. 530/TCT-DNL dated 03 March 2021 of the GDT regarding unused portion of the Science and Technology Development Fund (STDF).**

Accordingly, the enterprise must pay the interest on the additional CIT amount as the enterprise did not use up 70%

of the STDF after 5 years and such interest is non-deductible expense.

- Decree No. 44/2021/ND-CP dated 31 March 2021 providing guidance on the implementation of deductible expenses when determining taxable income for supporting and sponsorship expenses of enterprises and organisation for the COVID-19 epidemic prevention and control activities, effective from 31 March 2021.

The supporting and sponsorship expenses for Covid-19 prevention activities in Vietnam through state agencies and organisations will be deductible when calculating taxable income for the tax periods of 2020 and 2021 with sufficient supporting documents, including the sponsorship confirmation record (either paper-based or in electronic form) with the signatures and seals of both the sponsoring enterprise and the recipient. Legitimate invoices and documents of the sponsorship must be available as well.

- Official Letter No. 933/TCT-DNL dated 1 April 2021 by the GDT on CIT policy applicable to support fees for exclusive insurance agent.

In case the company receives supporting fee in cash for being the exclusive agent of distributing life insurance products for a certain number of years, this amount shall be recorded lump sum in other income and not allocated through periods.

### 3. VAT - Refund

- Official Letter No.944/TCT-CS dated 1 April 2021 of the GDT on VAT refund applicable to new investment projects.

Input VAT incurred during the investment period of a new investment project is refundable if the balance of input VAT exceeds VND 300 million. Where the input VAT is not fully credited at the end of the investment period, the enterprise must declare the item named “The remaining input VAT of the investment project to be refunded” in the VAT declaration at the end of the investment period. Where this item has not been declared, the enterprise can make additional declarations according to the regulations.

## ► CUSTOMS

1. Decree No. 18/2021/ND-CP dated 11 March 2021 by the Government amending and supplementing a number of articles of the Decree No. 134/2016/ND-CP dated 1 September 2016 by the Government detailing a number of articles and measures to implement the Law on Import and Export Tax, effective from 25 April 2021.
2. Circular No. 14/2021/TT-BTC dated 18 February 2021 by the MoF adding a new type of customs fee, which is the fee for issue and re-issue of temporary custody books (ATA books) for goods temporarily exported and re-imported according to Decree 64/2020/ND-CP, effective from 5 April 2021.
3. Official Letter No. 969/TCHQ-TXNK dated 1 March 2021 by the General Department of Customs (GDC) regarding the implementation of Circular No. 06/2021/TT-BTC by the MoF dated 22 January 2021 providing guidance on the implementation of a number of articles of the tax administration law for import and export goods.
4. Official Letter No. 1433/TCHQ-TXNK dated 29 March 2021 by the GDC regarding additional declaration of adjustment added into customs value (e.g royalties) and making the payment within 5 working days from the time the importer determines such additional amount.



# PERSONAL INCOME TAX (“PIT”)

## 1. PIT management - Tax registration, declaration & circumstance deduction

✓ Official letter No. 13130/CTHN-TTHT by the Hanoi Tax Department dated 26 April 2021 on the tax declaration for commercial discounts and promotions.

Accordingly, if a company pays bonuses, sales support, promotions, commercial discounts, payment discounts, and other support payments either in-cash or in-kind to business individuals and households that pay tax under the deemed method, the company shall be responsible for tax declaration and payment on behalf of such individuals as prescribed by law.

✓ Official letter No. 832/TCT-DNNCN by the GDT dated 25 March 2021 on dependants.

Where an individual meets the conditions specified at Point D, Clause 1, Article 9 of Circular No. 111/2013/TT-BTC dated 15 August 2013 by the Ministry of Finance and concurrently satisfies the condition of “helpless individual”, he or she shall be regarded as an eligible dependant for PIT relief purpose. “Helpless individuals” refer to those who have no spouse, children or living parents.

✓ Official letter No. 377/TCT-DNNCN by the GDT dated 5 February 2021 providing instructions for registering individual accounts to submit tax returns online.

Individuals who have been granted an electronic transaction account can use this account to perform e-tax services via the ETAX system. If such an account has not been granted, the taxpayer can register for it with any tax department. In case the individual has an account on the National Public Service Portal, he or she is allowed to register for an e-transaction account through the National Public Service Portal without having to register physically with the tax authority. The Official Letter also provides an appendix detailing the registration steps for taxpayers.

✓ Official letter No. 5911/CTHN-TTHT by the Hanoi Tax Department dated 26 February 2021 regarding PIT filing period of representative office (RO).

An income-payer could declare PIT on a quarterly basis if it satisfies the condition of quarterly VAT filing according to Article 8 of Decree No. 126/2020/ND-CP. Notwithstanding that, given a RO is not subject to VAT declaration, it shall declare provisional PIT on a monthly basis instead.

✓ Official letter No. 636/TCT-DNNCN by the GDT dated 12 March 2021 providing guidance for PIT finalisation.

Notable points in respect of 2020 PIT finalisation are as follows:

- Individuals (direct filing or filing through the employer) whose outstanding PIT liability does not exceed VND 50,000 are exempted from additional tax payment;
- The monthly circumstance deduction is increased to VND 11 million for personal relief and VND 4.4 million for each eligible dependant, applicable for the whole year 2020;
- 2020 PIT finalisation dossier must still follow the guidance under Circular No. 92/2015/TT-BTC until further notice;
- When making supplemental tax finalisation, if there is no change in tax payable, the revised tax return is not required but the explanation form and relevant supporting documents need to be lodged; and
- Individuals could submit PIT finalisation dossier online at <https://canhan.gdt.gov.vn>.

## 2. Taxable income for PIT purpose

✓ Official letter No. 811/TCT-DNNCN by the GDT dated 24 March 2021 regarding PIT treatment for contributions and income received from the voluntary pension fund.



Accordingly, an individual's pension received from the voluntary pension fund is fully exempted from PIT without any limit and regardless of the forms of payment (whether it is a one-time payment or monthly payment). However, the contribution to a voluntary pension fund is exempted from PIT only at the cap of VND 1 million per person per month in total (including the employee's and employer's portions).

Besides, for income from inheritance of a fund certificate, the heir is responsible for declaring and paying PIT on inherited securities.

✓ **Official letter No. 345/TCT-DNNCN by the GDT dated 3 February 2021 regarding deductible contribution.**

Charity, humanitarian and study promotion contributions are deductible for PIT computation purpose only if they are contributions to the funds established and operating under the provisions of Decree No. 93/2019/ND-CP (effective from 15 January 2020).

✓ **Official Letter No. 9582/CTHN-TTHT by the Hanoi Tax Department dated 31 March 2021 regarding PIT on income paid to deceased employees.**

In the tax year, if the employee had only one source of employment income paid by an employer, the income-paying organisation shall perform PIT finalisation on behalf of the employee. For the outstanding or refundable PIT amount after finalisation, the legal heir shall be responsible for paying or receiving the respective PIT amount of the deceased taxpayer.

Where the employer pays the employment income for the previous year but the employee has passed away at the time of payment, then the employer shall pay the amount to the legal heir and this income shall be regarded as non-taxable income.

✓ **Official Letter No. 5915/CTHN-TTHT by the Hanoi Tax Department dated 26 February 2021 on PIT exemption for diplomatic officers.**

Accordingly, individuals who qualify as diplomatic officers and have income derived from their work in Vietnam but are paid from overseas shall be eligible for tax exemption under Article 14 of the Ordinance No. 25-L/CTN dated 23 August 2002 of the Standing Committee of the National Assembly.

## LABOUR

1. **Circular No. 09/2020/TT-BLDTBXH by the Ministry of Labor, Invalids and Social Affairs (MOLISA) dated 12 November 2020 stipulating conditions, list of jobs and works, workplace and working principles for enterprises when employing minors (under 15 years old), effective from 15 March 2021.**
2. **Decision No. 338/QĐ-LĐTBXH by the MOLISA dated 17 March 2021 announcing new administrative procedures in the field of labour and wages under the management scope of the MOLISA.**



## SOCIAL INSURANCE, HEALTH INSURANCE AND UNEMPLOYMENT INSURANCE (“SHUI”)

1. **Decree No. 43/2021/ND-CP by the Government dated 31 March 2021 regulating the National Insurance Database (NID), effective from 1 June 2021.**

NID is a software that fully and accurately records information about personal identity, SHUI and other relevant information of citizens across the country. Enterprises and individuals may exploit and use their data and others (if authorised) on this software using the National Data Portal, the National Public Service Portal and the web portal of the Vietnam Social Security. Especially, if the data extracted from this software is digitally signed by the Vietnam Social Security, it shall have the same validity as the certification document issued by a competent authority.

## 2. Official Letter No. 3717/BHXH-IT issued by the Vietnam Social Security dated 25 November 2020 on the implementation of the VssID app.

Digital Vietnam Social Security (VssID) is a mobile application of the Vietnam Social Security available on Google Play and Apple Store to establish communication channels and enable the Social Insurance (SI) and Health Insurance (HI) participants to access information and perform public services, gradually replacing the current (paper) SI Books and HI cards. The SI Department of Ho Chi Minh City also requested businesses within the city to install VssID on their employee's mobile devices in the Official Letter No. 849/BHXH-QLT dated 31 March 2021.

## 3. Notification No. 840/TB-BHXH dated 30 March 2021 by the SI Department of Ho Chi Minh City on changing the new HI card.

The SI Department of Ho Chi Minh City has issued HI cards under the new format for cases of new registration or re-issuance for lost/damaged card or change of information on the card from 1 April 2021. Those using HI cards under the former format can continue to use them for medical examination and are not required to change to the new one.



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