

RESOLUTION 63

ON TAX SUPPORT MEASURES FOR BUSINESSES

On 25 August 2014, the Government issued Resolution No. 63/NQ-CP providing a number of tax support measures for businesses. Notable points under Resolution 63 are summarised below:

1. CONFIRMED MEASURES

Corporate Income Tax

- For investment projects with already registered investment capital, investment stages, and detail implementation schedule, then each implementing stage shall be deemed an integral part of the whole project and as such entitled to the same tax incentives originally granted for the project. For investment projects licensed before 1 January 2014, tax incentives for the remaining period shall count from 1 January 2014 (no retrospective application for period before 1 January 2014).
- Additional income from further investment in machinery and equipment by companies entitled to tax incentives during the 2009-2013 period, shall also be entitled to tax incentives (no retrospective application).
- Tax incentivized industrial parks now include those located in all central cities, and class 1 townships established from 1 January 2009.
- Staff welfare expenses will be deductible if these do not exceed one month's average salary and are sufficiently substantiated.
- Where the total tax provisional payment by quarter is short by 20% or above of the total annual tax payable, the shortfall shall be subject to late payment charges, counting from 31 December of the assessment year to the date of actual tax settlement.

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Value Added Tax

- Extension of 60 day for payment of VAT on machinery and equipment imported to form fixed assets of investment projects with total import value from VND100 billion .
- To allow input VAT credit in the temporary absence of non-cash payment evidence since the payment has not become due under contract.
- Companies with annual sale of up to VND50 billion may file VAT returns on a quarterly basis (previous limit was VND20 billion).

Amending Circular 219 on VAT

- For income generated from real estate transfers, individuals may now choose to pay tax at either 25% actual income or at 2% sale proceeds for each transaction.
- For income generated from securities transfers, individuals may now choose to pay tax at either 20% annual income to be finalized at year end, or at 0.1% sale proceeds to be assessed on each transaction without year end finalisation.

- Individuals being insurance agents, lottery agents, or multi-level marketing agents whose PIT is already withheld by their income payers are not required to carry out tax finalisation.
- PIT exemption for accommodation provided by employers to employees working in industrial zones, economics zones, and in locations with difficult/ specially difficult socio-economic conditions.

Other measures

- The Government will soon issue the amended List regulating the types, scales, criteria of incentivised social projects in the areas of education, vocational training, healthcare, culture, sports and environmental protection.
- The Ministry of Finance shall coordinate with Vietnam Social Security in order to find ways to cut at least 50% the amount of time required to deal with compulsory insurance matters.

The Government will soon issue its Decree to guide the implementation of the above matters.

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2. FURTHER PROPOSALS TO THE NATIONAL ASSEMBLY FOR RATIFICATION

Corporate Income Tax

- Businesses to have the right to choose between its existing tax incentives granted at the time of its licence grant, or incentives under new regulations for the remaining periods, if so qualified.
- Official proposal on concrete CIT incentives for new investment projects and expansion investment projects for the manufacture of prioritised support industry products. The Government will provide the List of prioritised support industry products.
- Official proposal on CIT incentives for large investment projects with registered investment capital of VND12 trillion or more to be fully contributed within 5 years from the licence date (except those manufacturing luxury goods and or mining projects).
- CIT rate 20% to apply in 2014 and 2015 for agriculture businesses which regularly employ more than 300 labours and underwrite produces from them. From 1 January 2016, the CIT rate of 17% will apply to those businesses.
- Official proposal that the 15% cap on promotional expenses is now applicable on advertising expenses only.
- Tax exemption or reduction on income of Vietnamese enterprises repatriated from overseas. The Government will be responsible for further guidance on this matter



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Value Added Tax

- Input VAT imposed on fixed assets used in social projects in the fields of education, vocational training, healthcare, culture, sport and environment protection to be creditable or refundable.

Personal Income Tax

- Exemption of PIT on employment income of Vietnamese citizens working on ships for foreign shipping companies or Vietnamese shipping companies conducting international transport.

Other Proposals

- Exemption of Natural Resources Tax for natural water used in agriculture, forestry, aquaculture, salt industry.
- Remission of late payment penalty incurred prior to 1 July 2013 by enterprises facing difficulties by external forces and settling outstanding tax liabilities by 31 December 2014.

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