



IC&PARTNERS VIETNAM

Supporting

Business Worldwide

TAX NEWSLETTER

JULY 2023



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Value Added Tax (VAT) reduction policy from July 1, 2023

On June 30, 2023, the Government issued Decree No. 44/2023/NĐ-CP on VAT reduction policy based on Resolution No. 101/2023/QH15.

Accordingly, **business establishments that pay VAT using the credit-invoice method are allowed to apply the VAT rate of 8% to goods and services subject to 10% VAT**, with the exception of goods and services specified in Appendices I, II, and III enclosed with Decree No. 44/2023/ND-CP.

The VAT reduction for each category of goods and services shall be applied consistently in all stages, including import, production, processing and trading.

The goods and services listed in Appendices I, II, and III Decree No. 44/2023/ND-CP must conform to the VAT Law and are not eligible for a VAT reduction if they are not subject to VAT or are subject to 5% VAT.

Additionally, business establishments (including household businesses and individual businesses) that pay VAT using the direct method (as a percentage (%) on revenue) are entitled to a 20% reduction in the rate (%) used as the basis for VAT calculation when issuing invoices for the aforementioned goods and services eligible for VAT reduction.

Decree No. 44/2023/ND-CP has come into effect from July 1, 2023 to December 31, 2023.

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New regulations on Personal Income Tax (PIT) exemption from real estate transfer

On June 27, 2023, the Ministry of Finance issued Circular No. 43/2023/TT-BTC with notable contents related to new regulations on PIT exemption from real estate transfer as follows:

Accordingly, Circular No. 43/2023/TT-BTC has amended and supplemented Clause 1, Article 53 Circular No. 80/2021/TT-BTC on tax exemption procedures for transfer, inheritance or gifting of real estate between spouses, biological parents and children, adoptive parents and adopted children, parents-in-law and children-in-law, grandparents and grandchildren, siblings.

Tax exemption dossiers include PIT Declaration form No. 03/BDS-TNCN issued together with Appendix II Circular No. 80/2021/TT-BTC.

Tax authorities are responsible for exploiting information in the National Population Database to handle tax exemption procedures for taxpayers. In case it is not possible to exploit information about citizens' residences in the National Population Database, taxpayers shall provide documents related to the identification of tax-exempt subjects in each transaction of transfer, inheritance or gifting of real estate.

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PIT and Corporate Income Tax (CIT) exemption policy when transferring contributed capital to creative start-up enterprises in Ho Chi Minh City (HCMC)

Resolution No. 98/2023/QH15 issued by the National Assembly on June 24, 2023 on PIT and CIT exemption when transferring contributed capital to creative start-up enterprises in HCMC as follows:

- **PIT exemption for a period of 5 years** from the time of tax payable for income from innovative start-up activities of creative start-up enterprises, science and technology organizations, innovation centers, and intermediaries supporting creative start-up enterprises.
- **PIT and CIT exemption** of individuals and organizations having income from transferring capital contribution, the capital contribution rights to creative start-up enterprises.
- **PIT exemption within 5 years for incomes from salaries and wages** of experts, scientists, talents, creative start-up individuals working at creative start-up enterprises, science and technology organizations, innovation centers and intermediaries supporting creative start-up enterprises.
- High-tech zones, concentrated information technology zones and innovation centers are **permitted to test under control innovative technological solutions** inside the boundaries of their respective areas.
- **Non-refundable support** for incubating innovative projects and creative startups.

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Temporary 10% PIT deduction when receiving unemployment allowances

Referring to the fact that tens of thousands of laid-off workers were paid an unemployment benefit by the enterprise to cover their living but also temporarily withheld 10% PIT, on July 6, 2023, the General Department of Taxation responded as follows:

- **Legal basic:** Clause 2 Article 2, Clause 2 Article 8 and Point I Clause 1 Article 25 Circular No. 111/2013/TT-BTC dated August 15, 2013 of the Ministry of Finance.

The employee's unemployment allowance, which is paid by the employer **in compliance with the Labor Code and the Law on Social Insurance**, **is not counted as income subject to PIT**. If the unemployment allowance is paid higher than that allowed by the Labor Code and the Law on Social Insurance, **the higher-paid income shall be calculated in the employee's PIT income**.

When the employees receive income subject to PIT, the employer must withhold PIT before paying salaries, declare, and pay tax into the state budget.

Taxes withheld during the year are temporary receipts. The amount of PIT payable in that year will be redetermined when individuals finalize tax. The individuals shall be entitled to tax refund when finalizing tax if their income falls below the threshold for tax payment or if the amount of tax due is less than the amount withheld throughout the year.

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Amendment of pensions, social insurance allowances and monthly allowances

On June 29, 2023, the Government issued Decree No. 42/2023/ND-CP, which takes effect on August 14 and amends pensions, social insurance allowances, and monthly allowances as follows:

- The pension, social insurance allowances, and monthly allowances for the recipients specified in Clause 1 Article 1 Decree No. 42/2023/ND-CP (has been adjusted according to Decree No. 108/2021/ND-CP) have been increased by **an additional 12.5%** as of June 2023.
- The pension, social insurance allowances, and monthly allowances for the recipients listed in Clause 1 Article 1 Decree No. 42/2023/ND-CP (has not been adjusted according to Decree No. 108/2021/ND-CP) have been increased by **an additional 20.8%** as of June 2023.
- After adjustment in accordance with Section (1), individuals receiving pensions, social insurance allowances, and monthly allowances as specified in Clause 2 Article 1 Decree No. 42/2023/ND-CP, whose benefit is less than VND 3 million/month, shall have their pension and allowances increased as follows:
 - **A 300,000 VND/person/month increase** for people receiving a pension or allowances less than 2.7 million VND/person/month.
 - People whose monthly pension or allowances is from 2.7 million VND/person/month to 3 million VND/person/month shall have their payments **increased to 3 million VND/person/month**.
- The amount of pension, social insurance allowances and monthly allowances after adjustment pursuant to the aforementioned regulations will be the basis for the next adjustment.

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Cases in which certificate of origin (C/O) must be submitted to customs authorities

On July 15, 2023, Circular No. 33/2023/TT-BTC on the determination of the origin of exported and imported goods issued by the Ministry of Finance has come into effect.

Accordingly, customs declarants must submit C/O to the customs authorities under the following cases:

- The customs declarant wishes to **claim special preferential tariff treatment for imported goods** and a good that is imported from a free trade zone into the domestic market and qualifies as originating good of a country, group of countries or territory that has entered into an agreement on preferential tariff treatment with Vietnam.
- Goods must have C/O **as required by Vietnamese authorities** to demonstrate that they are imported from countries, groups of countries or territories that are not embargoed under the Resolution of the United Nations Security Council.
- Goods specified according to the list in Appendix V attached to Circular No. 33/2023/TT-BTC or required by Ministries must have C/O to **identify goods not originating from countries that pose a risk of causing harm to social safety, community health, or environmental hygiene.**
- Goods in the List under the Decision of the Minister of Industry and Trade are **subject to anti-dumping duty, countervailing duty, safeguard measures, tariff quotas, measures against evasion of trade remedies or limits on quantity of goods.**

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New regulation on transferring ownership of privately-placed bonds

On July 01, 2023, Circular No. 30/2023/TT-BTC on transferring ownership of privately-placed bonds came into effect as follows:

Vietnam Securities Depository and Clearing Corporation (VSDC) transfers the ownership of privately-placed bonds registered at VSDC without going through the system trading of privately-placed bonds in the following circumstances:

- Gifting, inheritances of privately-placed bonds
- Division, separation, consolidation or merger of enterprises; reorganization of public service providers; dissolution of enterprises, business households
- Transfer of ownership under a court's judgment or decision, arbitral decision or a decision of a competent judgment enforcement authorities
- Transfer of ownership due to disposition of collateral which is privately-placed bonds registered at VSDC and frozen
- Transfer of ownership due to distribution of marital property
- Transfer of ownership of privately-placed bonds when division, separation, consolidation or merger of Securities Investment Funds; establishment, increase in charter capital of private securities investment companies; increase, decrease in charter capital of private funds; an open-end fund's use of privately-placed bonds for settling its repurchase transactions
- The issuer transfers the ownership of privately-placed bonds

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New regulations on business registration and tax registration for household business

Circular No. 02/2023/TT-BKHT issued by the Ministry of Planning and Investment, which amends and supplements certain articles of Circular No. 01/2021/TT-BKHDT governing business registration, went into effect on July 1, 2023.

Accordingly, the connection process between business registration and tax registration is carried out, creating changes in business registration and tax registration for household businesses as follows:

- When registering a household business, the data from the business household registration system is transferred to the tax registration application system. Therefore, when the district-level business registration department receives the registration dossier for the establishment of a household business and issues the Establishment Registration Certificate (ERC), the tax authority directly managing the household business will also receive such information.
- The household business code on ERC is also the household business's tax code.
(Previously, the household business code on ERC was not the tax code).
- Registration dossiers for establishment of household business, business locations of household business; dossiers of changing information; dossiers of suspension of household business comply with Decree No. 01/2021/ND-CP, Circular No. 02/2023/TT-BKHDT, and annexes attached to Circular No. 02/2023/TT-BKHDT.

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New regulations on business registration and tax registration for household business

- The submission of registration dossiers for the establishment of household business and business location; dossiers of changing information; dossiers of suspension of household business at the district-level business registration department or web portal are in accordance with Circular No. 02/2023/TT-BKHDT.
- It is required to apply the following procedures at the tax authority before submitting the dossiers to the district-level business registration department:
 - Dossier for deactivation of tax codes
 - Dossier for changing the registered head office's address of the household business to a different district, town, city, or province
 - Dossier for changing the owner of the household business
- ERC is a paper or electronic document granted by the district-level Business Registration Department, containing data on the business registration and tax registration of household business. ERC is also Tax Registration Certificate.



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INTRODUCTION

IC&Partners Vietnam Co., Ltd. is a member of IC&Partners S.p.A in Italy, specializing in providing services on Tax Agent, Tax Consulting, Transfer Price Documentation Consulting, Corporate Consulting, and other support related to the day-to-day operations of the business. We have many years of experience in providing services for the field of consulting in general and tax consulting in particular for multinational corporations of different nationalities such as Korea, Japan, Italy, Germany, Singapore ... not only in Vietnam but also in many other countries around the world.

Currently, regulations and policies of the Tax Authority are increasingly strict while the Enterprises cannot anticipate possible risks because they have not yet grasped the current legal regulations.

We are pleased to serve you with the following services:

- Tax Agent (Quarterly Tax Report, Annual Tax Finality)
- Tax risk review
- Supporting the procedures for establishing, closing the Company
- Refund of VAT and PIT
- Consulting on preparing transfer pricing documentation
- Procedures for dealing with tax problems (tax exemption, reduction, penalty, etc.)
- Consulting services, support on management and other administration

With the strength of quality and prestige, IC&Partners Vietnam is confident to bring the most satisfaction to customers when coming to us.

Sincerely thank you!