



IC&PARTNERS VIETNAM

Supporting

Business Worldwide

TAX NEWSLETTER

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❖ Headquarters in Hanoi

L3-02, 3rd floor, HH-NO1
Building, Goldseason 47
Nguyen Tuan, Thanh Xuan
District, Ha Noi

❖ Hai Phong Branch

No. 55A/69 Cho Con, Trai
Cau Ward, Le Chan District,
Hai Phong

❖ Ho Chi Minh Branch

LE 04.69, Lexington
Apartment, 67 Mai Chi Tho,
An Phu Ward, Thu Duc City,
Ho Chi Minh

❖ Contact IC&Partners

Vietnam

Tel: +84 243 2373 793

Mobi: +84 915 432 043

Web: www.icpartners.it

Email:

info@icpartnersvietnam.com

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Proposal to continue reducing 2% of Value-added Tax (VAT) in the first 6 months of 2024

On October 04th, 2023, the Government issued Resolution No. 164/NQ-CP regarding the proposal to continue reducing 2% of VAT in the first 6 months of 2024 as follows:

The Government has assigned the Ministry of Finance to propose to the National Assembly to continue reducing VAT by 2% in the first 6 months of 2024 and assigned the Standing Committee of the National Assembly to consider and decide in the period between the two sessions of the National Assembly if the economic and business situation is still difficult, report to the National Assembly at the nearest session and report to the Prime Minister before October 7, 2023.

In addition, the Government also requires the Ministry of Finance:

- Focus on implementing solutions to ensure the State budget revenue in 2023 and prevent tax losses.
- Manage state budget expenditures in 2023 closely according to assigned estimates, thoroughly cutting regular expenses and spending tasks that are not really necessary.
- Continue to implement policies on exemption, reduction, and extension of taxes, fees, charges, and land rent that have been promulgated. For policies effective at the end of 2023, proactively research, review, consider, promptly propose and report to competent authorities for extension in case of necessity.

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The General Department of Taxation guides on determining the location to submit Personal Income Tax (PIT) refund dossiers

On September 20, 2023, the General Department of Taxation issued Official Letter No. 4172/TCT-DNNCN on accelerating the processing of PIT refund applications.

1. Determining the location to submit PIT refund dossiers

The location to which individuals directly finalizing with the tax authorities submit their PIT finalization dossiers is specified in Point b.2, Clause 8, Article 11 of Decree No. 126/2020/ND-CP as follows:

- In case a resident individual earning salary from more than one source on which tax has been deducted by salary payers:
 - The tax finalization dossier shall be submitted to the supervisory tax authority of the last salary payer where personal exemption is claimed.
 - In case the individual's workplace is changed and the personal exemption is NOT claimed at the last salary payer or has not been claimed at any salary payer, the tax finalization dossier shall be submitted to the supervisory tax authority of the area where the individual resides.

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- In case a resident individual does not have a labor contract or has a labor contract of less than 03 months or has a service provision contract and earns income at one location or more from which 10% tax has been deducted, the tax finalization dossier shall be submitted to the tax authority of the place where the individual resides.
- In case a resident individual receives salary at one location or more during the year but is not working for any salary payer at the time of finalization, the tax finalization dossier shall be submitted to the tax authority of the area where the individual resides.

2. Coordinating and verifying between tax authorities in the process of handling PIT refund

When processing tax refund dossiers, tax authorities may need to confirm the incomes of the individual requesting a refund. They shall send a request to other tax authorities to verify the income of individuals. However, the response to requests for verification is often slow or no response.

In order to promptly resolve PIT refund, the General Department of Taxation required that when the tax authority receives a request for income verification from another tax authority, it must urgently carry out the verification and promptly send a written response to the tax authority sending the request, avoid delaying the processing of PIT refunds.

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30% reduction in land rents in 2023 for enterprises and households

On October 03, 2023, the Deputy Prime Minister signed Decision No. 25/2023/QĐ-TTg on a 30% reduction in land rents in 2023 for land lessees.

Regulated entities are organizations, units, enterprises, households and individuals that are directly leasing land from the State under decisions or contracts or certificates of land use rights and rights to ownership of houses and other property on land issued by competent regulatory authorities via the method of land lease with annual rental payment.

This regulation is applicable to land lessees who are ineligible for exemption or reduction of land rent, those whose exemption or reduction periods have expired and those whose land rents are being reduced.

30% reduction in land rents payable in 2023 shall be given to the aforementioned land lessees; No reduction shall be applied for the outstanding land rent incurred before 2023 and late payment interests.

The above reduction shall be applied for the land rents payable in 2023. In case a land lessee is being given a reduction in land rents as prescribed and/or a deduction of compensation and ground clearance from land rents, the 30% reduction shall be applied for the land rents payable (if any) after reduction or/and deduction.

The Decision shall take effect from November 20, 2023.

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The Ministry of Finance proposes methods to prevent electronic invoice fraud

The Ministry of Finance is drafting a Decree amending and supplementing a number of Articles of Decree No. 123/2020/ND-CP on invoices and documents. The Decree is expected to affect all enterprises, specifically:

1. Supplementing regulations to prevent electronic invoice fraud

According to the Ministry of Finance, there are currently some cases where some individuals establish enterprises, do not operate production or business, but still register to use and sell illegal electronic invoices.

Faced with that shortcoming, the Ministry of Finance proposes to supplement the fraud prevention regulations from the invoice registration. When enterprises register to use electronic invoices for the first time and register to change electronic invoice information, the tax authority will determine the identity of the legal representative of the enterprise in the national database on the population, specifically:

- When a company registers to use electronic invoices, the system of the General Department of Taxation shall automatically compare the identity information of the legal representative and the household owner at the Vietnamese Electronic Identification (VNeID).
- In case of changing the electronic invoice information, the tax authority shall automatically check through the VNeID system.

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2. Proposing 05 additional cases to stop using electronic invoice

To prevent fraud while using electronic invoices, the Ministry of Finance proposes to supplement 05 cases to stop using electronic invoices, including:

- **Firstly**, in case the authorities detect and notify the tax authorities about the enterprise established to purchase and sell illegal electronic invoices.
- **Secondly**, the taxpayer is in the case of key tax supervision and is on the list determined by the tax authority after the tax authority applies tax management supervision measures.
- **Thirdly**, in case the tax agency transfers the dossiers of enterprise, economic organizations, other organizations, households and individuals to the police office according to criminal information.
- **Fourthly**, business households paying taxes using the declaration method convert to the presumptive method or pay tax each time arising.
- **Fifthly**, taxpayers have a written request to suspend electronic invoices

In conclusion, there are expected 12 cases of stopping using electronic invoices.

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The Government proposes 2 methods for Lump-sum Social Insurance (LSI) withdrawal in 2025

On October 10, 2023, in the report on the draft Law on SI (expected to take effect from July 1, 2025), the Government reported to the National Assembly on 02 methods for LSI withdrawal as follows:

The draft of the Law on SI (amended) has some amendments and supplements such as: (i) the conditions for enjoying pensions are decreased to 15 years; (ii) receiving monthly allowances in the event that they have fulfilled their SI obligations but do not fit the pension requirements or satisfy the age requirement to get social pension benefits; (iii) taking advantage of the State Budget-guaranteed health insurance while getting monthly benefits; (iv) employees who have lost their jobs and are unemployed are entitled to credit support policies.

The draft Law proposed 2 methods for LSI withdrawal as follows:

1. Methods 1: Regulations on LSI for two different groups of employees

- **Group 1:** Employees who participated in SI before the Law on SI (amended) took effect, and after 12 months of resignation and less than 20 years of SI payment will receive LSI if needed.
- **Group 2:** Employees who start participating in SI from the time the Law on SI (amended) takes effect onwards are not entitled to receive LSI (except for the following cases: reaching pensionable age but not having enough years of payment; going abroad to settle or suffering from one of the life-threatening diseases).

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- ***Advantage:*** Gradually overcoming the situation of enjoying LSI according to Resolution No. 28-NQ/TW without affecting employees participating in SI.
- ***Disadvantage:*** The number of people receiving LSI does not decrease significantly and at the same time, it creates a comparison between employees participating before and after this Law takes effect in receiving LSI.

2. Method 2: Partial settlement of LSI withdrawal

After 12 months of not participating in both compulsory SI and voluntary SI, and having paid SI for less than 20 years, if the employee requests, a partial settlement will be made but not exceeding 50% of the total time of contribution into the retirement and survivorship fund. The remaining SI payment period is reserved so that the employee can continue to participate and receive SI benefits.

- ***Advantage:*** Ensuring compliance with Resolution No. 28-NQ/TW and harmonizing the rights of employees and long-term social security policies.
- ***Disadvantage:*** The LSI withdrawal according to international standards and practices has not been thoroughly resolved. Employees are entitled to a partial payment period and partial reservation, so it will affect their enjoyment of SI benefits when continuing to participate.

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Reducing the duration for determination of demand for foreign employees

On September 18, 2023, the Government issued Decree No. 70/2023/ND-CP amending Decree No. 152/2020/ND-CP on foreign workers working in Vietnam, recruitment and management of Vietnamese employees working for foreign organizations and individuals in Vietnam.

Accordingly, Decree No. 70/2023/ND-CP amended Article 4 Decree No. 152/2020/ND-CP on the deadline for determination of demand for foreign employees, specifically as follows:

- Before at least **15 days from the expected date of employing foreign workers**, employers (excluding contractors) are responsible for determining the demand of foreign employees for each job position that Vietnamese employees cannot meet and submitting the explanation report to the Ministry of Labor - Invalids and Social Affairs or the Department of Labor - Invalids and Social Affairs where foreign employees are expected to work according to Form No. 01/PLI Appendix I issued together with Decree No. 70/2023/ND-CP.
- *Previously, the deadline for determination of demand for foreign employees was **at least 30 days before the date on which foreign employees are expected to be employed**, the employer (except contractor) shall determine the demand for foreign employees for every job position for which Vietnamese employees are underqualified.*

Decree No. 70/2023/ND-CP took effect from September 18, 2023.



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❖ Hai Phong Branch

No. 55A/69 Cho Con, Trai
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LE 04.69, Lexington
Apartment, 67 Mai Chi Tho,
An Phu Ward, Thu Duc City,
Ho Chi Minh

❖ Contact IC&Partners

Vietnam

Tel: +84 243 2373 793
Mobi: +84 915 432 043
Web: www.icpartners.it
Email:
info@icpartnersvietnam.com

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!