



# LEGAL UPDATES

**APRIL  
2020**

## **[Draft] Government's Resolution on exemption or reduction of 50% of corporate income tax (CIT), value added tax (VAT)**

A Resolution has been drafted by the Government for tasks and solutions to remove difficulties for businesses and production, promote disbursement of public investment in the context of suffering of Covid-19 pandemic.

This Resolution will offer employers and employees many policies on exemption, reduction and extension of payment of taxes, fees and charges as follows:

- Reduce 50% of CIT for small and medium-sized enterprises in 2020;
- Exempt and reduce 50% of VAT on goods and services suffering difficulties, goods being raw materials in order to decrease the input production costs of the enterprises;
- Prolong the extension of payment of CIT of 2019, VAT, PIT and land rent as previously adopted by Decree No. 41/2020/ND-CP from 05 months to 01 year;
- Postpone or delay the payment of tax fixed for business households engaged in production and business activities affected by Covid-19 epidemic like enterprises;
- Allow the delay of payment of part of the export duty over a period of about 05 months (until the end of the second quarter of 2020);
- Exempt and reduce the transportation-related fees such as tolls, seaport fees, road maintenance fees, aviation service fees;
- Exempt and reduce the interest rates, charges for new loans and existing loans of enterprises (about 2%), especially for loans offered before the epidemic outbreak in order to remove difficulties for enterprises in repaying such loans due to sharp decreases caused to their revenues;
- Offer loans with special interest rates: (i) through commercial banks to medium and large-sized enterprises suffering heavy loss due to the Covid-19 epidemic (whose revenues in the first and second quarter of 2020 are decreased by over 50%, number of employees participating in social insurance is over 100, contribution to State budget is high) with a repayment term from 06 to 09 months; (ii) through Vietnam Bank for Social Policies and Small and Medium Enterprise Development Fund to small and micro-sized enterprises with a repayment term from 03 to 06 months;
- Extend the payment of other taxes such as natural resource consumption tax, special sale tax, etc;
- Reduce 50% of the registration fee for automobiles manufactured or assembled in Vietnam until the end of 2020.

In order to facilitate the maintenance of production and business activities of the enterprises and projects, foreigners who are experts, managers, technical workers working for foreign-invested enterprises and projects will be considered for application of special immigration procedures and renewal of work permit.



## Electricity prices are discounted 10% in 03 months

On April 16, 2020, the Ministry of Industry and Trade (MOIT) issued the Official letter No. 2698/BCT-DTDL on electricity price reduction and discounts to assist customers overcoming difficulties caused by Covid-19 pandemic.

MOIT has officially agreed to reduce the electricity prices even including electricity supplied for living as well as for production and business to support customers affected by the epidemic.

Accordingly, the prices of residential, commercial and industrial electricity are all reduced by 10% over a period of 03 months.

- ⌘ **10% reduction will be applied to residential electricity** of level 1 to 4, starting from the billing period of April to June (discounts on the electricity bills released in May, June, July).
- ⌘ **10% reduction will be applied to commercial and industrial electricity** for peak, shoulder and off-peak periods, starting from the latest billing period from the issuance date of this official letter.
- ⌘ **Particularly for tourist accommodation establishments**, the after-reduction electricity price applicable to the industrial customers will be applied instead of that of commercial customers.

## Conditions and procedures for application for suspension of contribution to the pension and death benefit funds

Official letter No. 1511/LDTBXH-BHXH dated May 04, 2020 of the Ministry of Labor, War Invalid and Social Affairs provides guidance on the suspension of contribution to the pension and death benefit funds.

The official letter provides guidance on cases, conditions, deadlines and procedures for the suspension of contribution to the pension and death benefit funds.

Accordingly, enterprises will be allowed to suspend the contribution to the pension and death benefit funds if they belong to one of the following cases:

- (i) Business operation has been suspended for at least 01 month due to changes in structure, technology, economic depression and crisis.
- (ii) Difficulties caused by a natural disaster, conflagration, epidemic or crop failure.

### ⌘ Only 01 of the 03 following conditions needs to be fulfilled to be entitled for suspension of contribution to the pension and death benefit funds:

- The quantity of suspended employees who have social insurance is at least 50% of total number of employees.
- The loss caused by the natural disaster, fire, epidemic or crop failure is over 50% of total assets.
- Social insurance premiums have been fully paid by the end of January 2020 and the quantity of employees who have social insurance is decreased by at least 50% (including employees who must be completely absent from work and employees who are on postponement/unpaid leave/stop working for at least 14 days).

Contribution to the pension fund and death benefit fund will be suspended from the month when the enterprise submits the application, but not exceeding 12 months.

Dossiers, order and procedures for settling the suspension of contribution to the pension and death benefit fund shall comply with the guidance at Section 5 of this Official letter.



# Having some production stages outsourced, whether enterprises are exempted from tax on materials imported for producing goods to export

Official letter No. 2359/TCHQ-TXNK dated April 13, 2020 of the General Department of Customs refers to the goods imported for production to export.

In case when manufacturing goods for export, the enterprise hires another enterprise for outsourcing a number of production stages without declaration to the Customs, then there is no base for such goods to be considered free of tax as prescribed at Article 12 of Decree No. 134/2016/ND-CP.

Accordingly, taxes on raw materials imported for manufacturing the goods which are then outsourced by another enterprise are not entitled for tax exemption.

**According to Article 56 of Circular No. 38/2015/TT-BTC (as amended by Circular No. 39/2018/TT-BTC), when there are any changes relating to the manufacturer of goods to be exported, the enterprise must notify the Customs not later than 03 working days.**

## Extension of tax payment relating to Covid-19 does not apply for import and export duties

Official letter No. 2422/TCHQ-TXNK dated April 16, 2020 of the General Department of Customs refers to the extension of tax payment.

According to the General Department of Customs, although the Government issued the tax grace policy for enterprises facing difficulties due to Covid-19 at Decree No. 41/2020/ND-CP, the **taxes entitled for extension of payment ONLY** include the VAT (domestic goods), the CIT, the personal income tax and the land rent; **not including the import and export duties and the VAT on imported goods.**



### NOTICE:

*"The purpose of this news is to provide the clients with further information. Although we have focused much on the ensure of accuracy, the information that is given on this news is not absolutely thorough and the clients would better consult professional opinions before application."*