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## TAX BULLETIN January 2022

### 1. Tax support measures for enterprises affected by Covid-19 pandemic in 2022

Resolution No. 43/2022/QH15 on financial and monetary policies supporting the Program for Socio-economic Recovery and Development was ratified by the National Assembly on 11<sup>th</sup> January 2022 with some key tax support measures as follows:

➤ 2% VAT rate reduction

In 2022, VAT on goods and services subject to 10% VAT will be reduced by 2% to 8%, excluding the following groups of goods and services: “*Telecommunications, information technology; finance, banking, securities, insurance; trading of real estate, metal, precast metal products, mining products (excluding coal mining), cokes, refined petroleum, chemical products, goods, and services subject to excise tax.*”

➤ Allow for companies to claim donations and sponsors for COVID-19 epidemic control operation in Vietnam as deductible expenses when calculating taxable corporate income for the tax period of 2022.

Resolution No. 43/2022/QH15 comes into force from 11<sup>th</sup> January 2022 to 31<sup>st</sup> December 2023. The Government shall provide guidelines for the implementation of Resolution No. 43/2022/QH15. It is expected that these policies will be applied from 1<sup>st</sup> February 2022 to 31<sup>st</sup> December 2022 according to the draft guidance of the Government.

### 2. CIT incentives for investment projects using equipment of other projects (Official letter No. 3689/CTBNI-TTHT dated 21<sup>st</sup> October 2021 of Bac Ninh Tax Department)

Regarding the issue, Bac Ninh Tax Department guides SIE VINA Co., Ltd as follows:

In case where the Company has developed an investment project with Certificate of Investment No. 012043000576 dated 29<sup>th</sup> June 2015 issued by Management Board of Ha Noi Industry Parks and Export Processing Zones at Quang Minh Industry Park, Me Linh District, Ha Noi City (Project 01); on 16<sup>th</sup> August 2018 the Company was granted Certificate of Investment no 5477492900 by Management Board of Bac Ninh Industry Parks to develop a manufacture project at Yen Phong Industry Park, Yen Phong District, Bac Ninh Province (Project 02); and the Project 02 has used machineries, equipment transferred from the Project 01 after the Project 01 was completed, the Project 02 is not given CIT incentives as provided for in Clause 4, Article 10, Circular No. 96/2015/TT-BTC dated 22<sup>nd</sup> June 2015 of Ministry of Finance, even if the Project 02 meets conditions for an expansion investment project.

### **3. Guiding tax policies on business activities carried on overseas (Official letter No. 3756/CTBNI-TTHT dated 29th October 2021 of Bac Ninh Tax Department)**

God Group Co., Ltd. sells goods oversea on electronic trading platforms of foreign companies such as Amazone.com, Shopify.com; the sold goods are manufactured by overseas companies under the Company's orders and advertised on Facebook ads and Google ads. After receiving goods, customers will transfer payments to the Company's account opened in the US; and the Company will transfer such payments under wire transfer mode via the State Bank of Vietnam or electronic wallets in the US banks to the Company' account opened in Vietnam. Tax obligations incurred in this transaction are as follows:

➤ Value Added Tax

God Group Co., Ltd. is not a VAT payer with respect of the transaction of selling goods overseas mentioned above.

➤ Corporate Income Tax

- God Group Co., Ltd. is required to declare and pay CIT on income derived from selling goods overseas. The turnover for CIT calculation purpose will be total sales including price subsidies and extra payments (if any) or receivable, regardless of whether actual payments are received or not .
- Expenses relating to business activities carried on by the Company will be deductible, provided that conditions as provided for in Article 4 of Circular No. 96/2015/TT-BTC dated 22<sup>nd</sup> June 2015 of Ministry of Finance are met in full.
- Electronic documents will be prepare in accordance with provisions in Section 1, Chapter 2, Decree No. 52/2013/NĐ-CP dated 6<sup>th</sup> May 2023 of Government (which were supplemented, amended by Decree No. 85/2021/NĐ-CP dated 25<sup>th</sup> September 2021 of Government which will be effect from 1<sup>st</sup> January 2022).
- Invoices and documents in foreign language shall be translated into Vietnamese as guided in Article 120, Circular No. 200/2014/TT-BTC dated 22<sup>nd</sup> December 2021 of Ministry of Finance.

➤ Foreign Contractor Tax

God Group Co., Ltd. is required to declare and pay VAT and CIT on behalf of foreign contractors (Amazon, Shopify, Facebook and Google) providing services of advertisement, trade promotion on internet in accordance with guidelines in Articles 11, 12 and 13, Circular No. 103/2014/TT-BTC dated 6<sup>th</sup> August 2014 of Ministry of Finance.

### **4. Handling VAT invoices issued by an escaped enterprise (Official letter No. 16873/CTBDU-TTHT dated 3<sup>rd</sup> November 2021 of Binh Duong Tax Department)**

If Seamaster Paint (Vietnam) Co., Ltd. signed an economic contract with its counterpart and it was found that the counterpart company, by verifying with the competent authority, run away and no longer existed at its registered address, tax treatment will be applied regarding invoices issued by the counterpart company as follows:

- In case the invoices have been issued before the counterpart company escaped, input VAT will be claimed for credit and relevant expenses will be deductible for CIT purpose provided that the Company is able to prove the truthfulness of the transactions and to provide the dossier as intrusted in the official letter No. 11797/BTC-TCT dated 22<sup>nd</sup> August 2014; otherwise, input VAT credit and deduction of expenses will not be applied and at the same time, penalty for administrative violation due to using illegal invoices from VND 20,000,000 to VND 50,000,000 will be imposed pursuant to Article 28, Decree No. 125/2020/NĐ-CP dated 19<sup>th</sup> October 2020 of the Government.
- In case the invoices have been issued after the counterpart run away, input VAT credit and deduction of relevant expenses for CIT purpose will not be applied.