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## **TAX BULLETIN September 2022**

### **1. Tax declaration for invoices of good return, adjustment invoices and replacement invoices (Official letter No. 28218/CTHN-TTHT dated 16<sup>th</sup> June 2022 of Hanoi Tax Department)**

If a company issues invoices for good return, adjusted invoices or replacement invoices in accordance with the Decree No. 123/2020/ND-CP, the company shall declare VAT for such invoices as follows:

- For invoices for good return, the company declares in the tax period of issuing the invoice of good return.
- For invoices for adjustment or replacement, the company shall adjust the tax return in the tax period that the errors incurred per Article 47, Law on Tax Administration No. 38/2019/QH14 dated 13<sup>th</sup> June 2019 and clause 4, Article 7, Decree No. 126/2020/ND-CP dated 19<sup>th</sup> October 2020.

### **2. VAT reduction applied to construction and installation activities upon Decree No. 15/2022/ND-CP (Official letter No. 7460/BTC-TCT dated 29th July 7/2022 of Ministry of Finance)**

Pursuant to the current provision, in case construction and installation activities of which the time for acceptance and handing over of the whole completed work, or each completed component, construction or installation volume is determined from the 1<sup>st</sup> February 2022 to 31<sup>st</sup> December 2022, regardless of receiving payment or not, these activities will be entitled to VAT reduction as provided for in the Decree No. 15/2022/ND-CP.

### **3. CIT incentives applied to supporting industrial manufacturing projects (Official letter No. 2238/CTBNI-TTHT dated 25th July 2022 of Bac Ninh Tax Department)**

In case a company has engaged in investment projects (including a new investment project and expanding investment project) on manufacturing products under the List of products of supporting industries prioritized for development before the 1<sup>st</sup> October 2015 and been entitled to CIT incentives for these investment projects under other conditions than those conditions required for supporting industrial manufacturing projects, this company will be entitled to CIT incentives under the conditions required for supporting industrial manufacturing projects for the remaining period of the project from the tax period when the Incentive Certificate of supporting industrial manufacturing projects is granted provided that these projects meet the conditions required for supporting industrial manufacturing projects in accordance with provisions of Law No. 71/2014/QH13 and are granted Incentive Certificate for supporting industrial manufacturing projects by the competent authority. The CIT incentives for the remaining period of the project under the conditions required for supporting industrial manufacturing projects are determined in accordance with the following principles:

➤ ***Incentive CIT rate***

- For the new investment project, the incentive CIT rate will be applied from the tax period when the Incentive Certificate of supporting industrial manufacturing projects.
- For the expanding investment project, the incentive CIT incentive rate will not be applied.

➤ ***CIT exemption and reduction duration***

- The duration will be determined by each project (the new investment project and the expanding one) for which the company has been entitled to CIT incentive under other incentive conditions and will be applied for a full tax year.
- The remaining period of CIT exemption and reduction will be the difference between the time of tax exemption and reduction under the conditions required for a supporting industrial manufacturing projects and the time of tax exemption and reduction of each project (the new investment project and the expanding one) which the company has used up under other incentive conditions.

➤ ***Other notes:***

- The principle of determining the CIT exemption and reduction duration mentioned above will also be applied in case where the Company chooses the same CIT incentives (including the CIT rate and CIT exemption and reduction duration (if any)) of the new investment project to be applied for the remaining period of the expanding investment project or applies CIT exemption and reduction duration to income additionally increased by the expanding investment project (no incentive CIT rate is applied).
- If carrying on various business activities during the CIT incentive duration, the company is required to record separately income derived from supporting industrial manufacturing project with CIT incentives and the income derived from business activities without CIT incentives in order to declare and pay CIT respectively.

**4. Changing fixed asset depreciation method (Official letter No. 12644/CTBDU-TTHT dated 2<sup>nd</sup> August 2022 of Binh Duong Tax Department)**

In case Nawa Precision Vietnam Co., Ltd. is applying the straight-line depreciation method and wants to convert into the reducing balance method, the fixed assets are required to meet all the following conditions:

- Fixed assets are brand new ones; and
- Fixed assets are machinery, equipment, experimental and measuring instruments.

The company must clearly explain the changes in using the fixed assets to bring economic benefits to the enterprises. Each fixed asset is allowed to change the method of depreciation only once during the utilization and the change of depreciation method must be notified in writing to the tax authority by the company.

**5. Treatment of VAT amount paid under the Customs authority's Decision on tax assessment (Official letter No. 40071/CTHPH-TTHT dated 15<sup>th</sup> August 2022 of Hanoi Tax Department)**

If a company incurs a VAT amount paid under a Decision on tax assessment issued by the Customs authority, except for the case where the custom authority imposes a penalty for tax fraud and evasion, the company is allowed to claim for credit of such paid VAT amount upon determining the VAT payable in the period when it incurs in accordance with Article 14, Circular No. 219/2013/TT-BTC dated 31<sup>st</sup> December 2013 of Ministry of Finance. The amendment of tax declaration will be complied with Article 47, Law on Tax Administration No. 38/2019/QH14 dated 13<sup>th</sup> June 2019 of National Assembly and Clause 4, Article 7, Decree No. 126/2020/NĐ-CP dated 19<sup>th</sup> October 2020 of the Government.

**6. Position of the General Department of Customs regarding the requirements for VAT e-invoices for exported goods (Official letter No. 2054/TCHQ-GSQL dated 3<sup>rd</sup> June 2022 of the General Department of Customs)**

On 3<sup>rd</sup> June 2022, the General Department of Customs issued Official letter No. 2054/TCHQ-GSQL to the General Department of Taxation to correspond difficulties raised by many companies and at the same time to request the General Department of Taxation to refer to international experiences for appropriate guidance on the use of e-invoices for exported goods with the following key points:

➤ Regarding the invoice to be submitted in the export customs dossier:

Pursuant to current customs regulations, the customs dossier for exported goods includes commercial invoice or equivalent document. It is not required to issue electronic VAT invoices in order to carry out export procedures.

➤ Regarding the timing of VAT e-invoice issuance for exported goods:

Pursuant to points b and c, Clause 3, Article 13 of Decree 123/2020/ND-CP, the timing for VAT e-invoice issuance for exported goods is after the completion of export customs procedures. Therefore, at the time of customs clearance for exported goods, the customs declarant cannot issue VAT e-invoice to submit in the customs dossier.

Thus, the issuance of e-invoices should be proceeded in accordance with Vietnamese law while invoices in international trade comply with international practices. The timing for issuance of these two types of invoices is different: commercial invoices are issued before the completion of customs procedures and e-invoices are issued after before the completion of customs procedures. Therefore, the General Department of Customs cannot guide customs declarants to submit VAT e-invoices in the export customs dossiers for customs clearance.