
TAX BULLETIN August 2023

1. Taxation on income from interest (Official letter No. 3782/TCT-CS dated 25th August 2023 of the General Department of Taxation)

In case enterprises are not organizations or entities which operate in accordance with the Law on credit institutions and have irregular lending activities, if lending money to other organizations (including branches of the enterprise that pay income tax by their own) free of interest or with an interest rate lower than the normal interest rate of the same term and scale of loan in the market, they shall be subject to tax assessment according to the provisions of the tax administration law. Regarding loans with a specific interest payment period according to the loan contract, the enterprise must record financial income in the period when the interest receivable arises, regardless of whether interest has been collected by the enterprise or not.

2. Interest on deferred sales payment is not considered an interest income earned from deposit or lending activities (Official Letter No. 42369/CTHN-TTHT dated 19th June 2023 of Hanoi Tax Department)

If an enterprise engages in related party transactions and earns income from interest charged on the deferred payment of the customer, such interest shall not be considered as an interest income from deposit or lending activities as specified in clause 3, Article 16 of Decree No. 132/2020/ND-CP.

3. VAT on trade discount (Official letter No. 3292/TCT-CS dated 2nd August 2023 of General Department of Taxation)

According to the current provisions, if a company offers trade discount to its customers the selling price after the discount is applied is used to calculate the VAT.

- In case the trade discount is based on the quantity or sales of goods and/or services, the amount of the discount should be adjusted on the invoice for the last purchase or the next period.
- In case the trade discount is applied at the end of the sales program (period), a VAT adjustment invoice should be issued, along with a list of invoice numbers to be adjusted, the adjusted amounts and the relevant tax amounts. Then the seller and the buyer are required to make adjustment of sales, purchases, output and input VAT declaration based on the VAT adjustment invoice.

4. VAT rate applied to trade discount (Official letter No. 14720/CTBDU-TTHT dated 17th July 2023 of Binh Duong Tax Department)

A company offered trade discount to its clients and issued invoices by 1st July 2023 for trade discount implemented before 1st July 2023. In case the amount of discount is adjusted on the invoice for the last purchase or the next period after 1st July 2023, such trade discount subject to VAT rate of 10% which is applied at the time of sale.

5. Trade discount invoices under Decree No. 15/2022/ND-CP (Official letter No. 8999/CTTPHCM-TTH dated 19th July 2023 of Hochiminh City Tax Department)

If a trade discount was applied to goods sold in 2022 with a VAT rate of 8%, but the invoice for the trade discount was issued after 01 January 2023:

- If the discount is applied to the last purchase or the next period after 31 December 2022, the amount of the discount on the sold goods must be adjusted to reflect the taxable price and applicable VAT rate at the time of invoicing;
- If the discount is applied at the end of the discount program (period) after 31 December 2022, the seller must issue a new invoice to adjust the amount of the discount and apply the VAT rate of 8% at the time of sale.

6. Issuance of invoice for returning borrowed goods (Official letter No. 2834/CTBNI-TTHT dated 21st July 2023 of Bac Ninh Tax Department)

Samsung Electronic Vietnam Co., Ltd. – an export processing enterprise lent machineries and equipment to Willtech Vina Co., Ltd. in service of its own export processing activities. When lending the machineries and equipment, Samsung Electronic Vietnam Co., Ltd. has to issue the invoice, and in turn, when returning the borrowed machineries and equipment, Willtech Vina Co., Ltd. has to issue the invoice for good to be returned in accordance with provisions as provided for in the Clause 1 Article 4, Decree No. 123/2020/NĐ-CP dated 19th October 2020 of Government. Regarding contents inscribed on the invoices prepared upon lending and returning the assets, both companies are required to comply with guideline in the Article 10, Decree No. 123/2020/NĐ-CP dated 19th October 2020 of Government.