

Global Tax Update

Vietnam

Deloitte Tohmatsu Tax Co.

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Circular No. 25/2018/TT-BTC dated 16/3/2018 guiding a number of new regulations regarding VAT, CIT and PIT

1. CIRCULAR NO. 25/2018/TT-BTC GUIDING A NUMBER OF NEW REGULATIONS REGARDING VAT, CIT, AND PIT

The Ministry of Finance has recently issued Circular No. 25/2018/TT-BTC dated 16/03/2018 (“Circular 25”) to provide guidelines of Decree No. 146/2017/ND-CP dated 15/12/2017 (“Decree 146”) and amending and supplementing a number of articles of Circular No. 78/2014/TT-BTC dated 18/06/2014, and Circular No. 111/2013/TT-BTC dated 15/08/2013.

Below are some notable points:

(1) Value Added Tax (“VAT”)

1) On goods and services not subject to VAT

- Circular 25 further details some additional goods and services not subject to VAT, including:
 - Export-products being resources and minerals not having been processed into other products; and
 - Export-products being goods processed directly from resources and minerals as main materials; with total cost of resources and minerals plus energy expenses may account from more than 51% of production costs, except for a number of cases provided at Clause 1, Article 1, Decree 146.
- List out a number of expenses not being included when computing the cost of resources and minerals for processing to determine the above 51% ratio;
- Requesting that Tax Departments and competent technical authorities to review

products specifications and manufacturing process of the enterprises, so as to cooperate to assist them to determine the aforementioned value ratio if needed.

2) Tax refund for export goods and services

Circular 25 provides certain detailed guidance on VAT refund for goods which are imported and then exported at customs controlled areas. However, it does not provide any further guidance on the treatment of input VAT of goods which are imported for later exported which arising before Decree No. 146 becomes effective.

(2) Corporate Income Tax (“CIT”)

Apart from those changes introduced in Decree 146, Circular 25 supplements the conditions for deductible expenses regarding depreciation of fixed assets of enterprises receiving partial or whole capital transfer from other enterprises.

(3) Personal Income Tax (“PIT”)

Circular 25 clarify regulations on other securities of which income from transfer would be taxable. Accordingly, such additional taxable securities regulated under Clause 1 Article 6 of Law on Securities now include rights, warrants, call option, put option, futures, securities classes and indexes.

2. EFFECTS ON ENTERPRISES

- Circular 25 would take effect from May 1, 2018;
- Transactions being covered under Decree 146 and occurred after February 1, 2018, are subject to the guidance of Decree 146 and Circular 25.

Accordingly, Deloitte Vietnam will keep you updated of any further formal guidance from the authorities in this area.

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